

© PHILIP MORRIS 1997

JULY 1997

2071844463



MONTHLY PROMOTIONS
PRESENTATION

2071844464

MARLBORO SUMMER GEAR SPECIAL OFFER

PM USA - Marlboro Summer Gear Special Offer

AUDIT METHODOLOGY

- Audits conducted by Full Line Research in 22 markets.
(One per Section with a sample of 50 stores per market).
- All stores were visited weekly for an 8 week period from
May 19 - July 6.
- Store selection based on criteria of Chain/Independent, Retail
Masters/Non Retail Masters trade class and population density.
- The study is designed to be representative at the Region and
National Level.

2071844465

© PHILIP MORRIS 1997

PM USA - Marlboro Summer Gear Special Offer

PROGRAM OBJECTIVES/STRATEGIES

- Reward adult smokers with a discount of at least 20¢ per pack/\$2.00 per carton on Marlboro from Memorial Day weekend through 4th of July weekend.
- Place the enhanced Marlboro Gear Catalog and supporting gear POS at retail.
- Communicate the special offer price reduction with supporting POS.

2071844466

© PHILIP MORRIS 1997

PM USA - Marlboro Summer Gear Special Offer

ISSUES/CONCERNS

- Gap between Marlboro and Basic Total Money-Off

DRAFT

2071844467

© PHILIP MORRIS 1997

PM USA - Marlboro Summer Gear Special Offer

SUMMARY FINDINGS

- There was greater participation the marketplace versus December and March programs:
 - Higher Money-Off Penetration
 - Increased Program Duration
 - Higher POS Penetration
- The price gap between Marlboro and the Lowest has declined in comparison to previous Marlboro Money-Off periods.
- Marlboro, Camel, GPC and Doral show historic levels of promotional incidence over a two year period.
- Participating stores showed a strong increase in Marlboro share and industry cpw versus non participants.
- Marlboro's share has reached record high in the marketplace while Camel and Newport show slight leveling off of growth trends in June.

© PHILIP MORRIS 1997

2071844468

PM USA - Marlboro Summer Gear Special Offer

FIELD SALES OBJECTIVES/ RESULTS

OBJECTIVES

- Penetrate 90% of Retail Masters accounts
- Penetrate 100% of Retail Masters stores with enhanced gear catalog & POS
- Place POS with price-call out in all participating Retail Masters stores

RESULTS (Cumulative through week 7)

- 83% of Retail Masters stores offered the money-off program
- 78% of Retail Masters stores displayed the enhanced catalog & 84% placed the support gear POS
- 77% of Retail Masters stores had visible price call-out (92% of participating stores)

2071844469

© PHILIP MORRIS 1997

PM USA - Marlboro Summer Gear Special Offer

Total Money-Off

- Marlboro sells for at least .20¢/\$2.00 per pack/carton less than Virginia Slims

Visible Money-Off

- Marlboro's promoted price or amount off is communicated through signage/POS

Quiet Money-Off

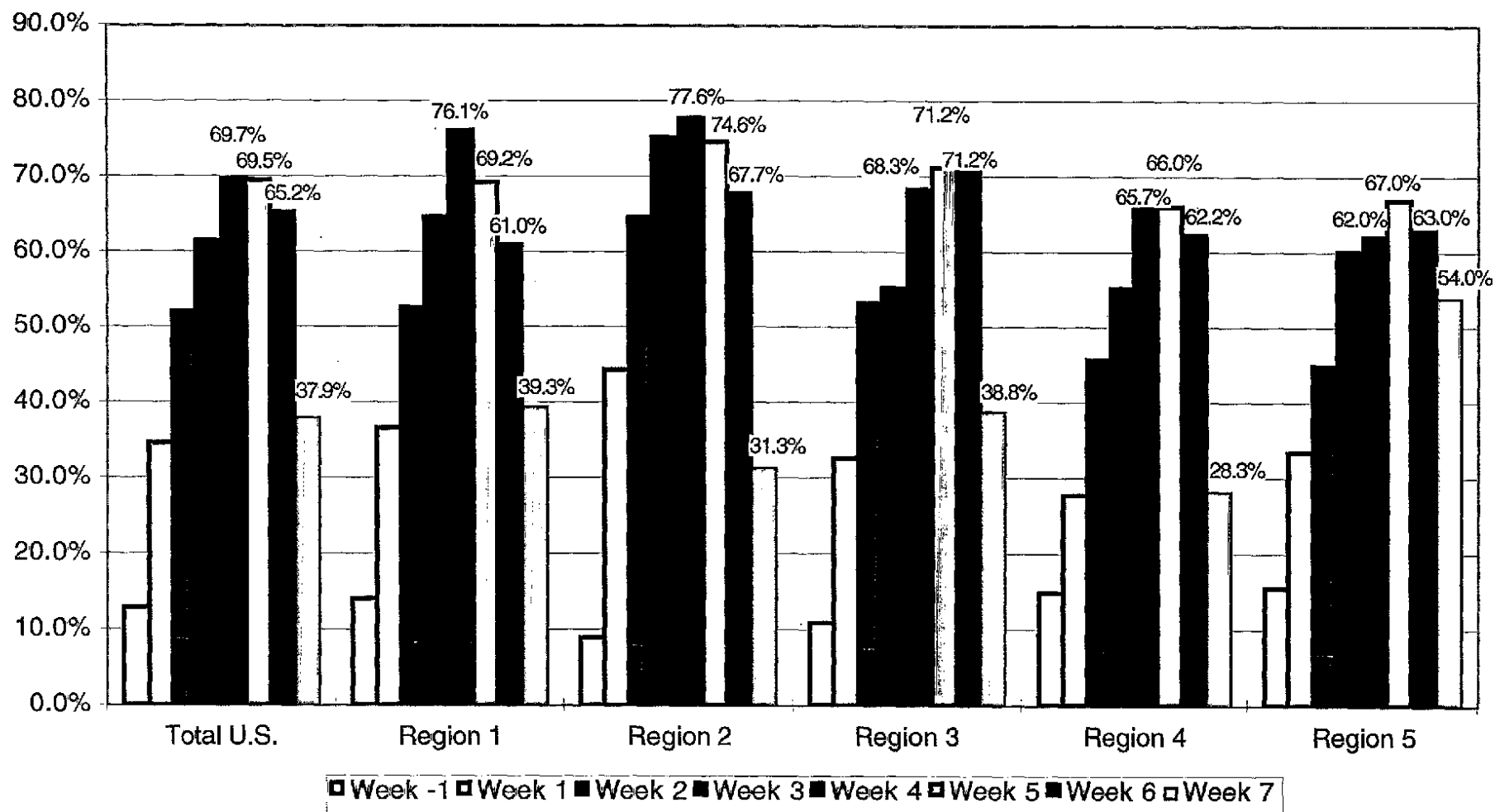
- Marlboro's promoted price or amount off is NOT clearly communicated through signage/POS

2071844470

© PHILIP MORRIS 1997

PM USA - Marlboro Summer Gear Special Offer

Marlboro Money-Off Weekly Incidence Retail Masters Stores

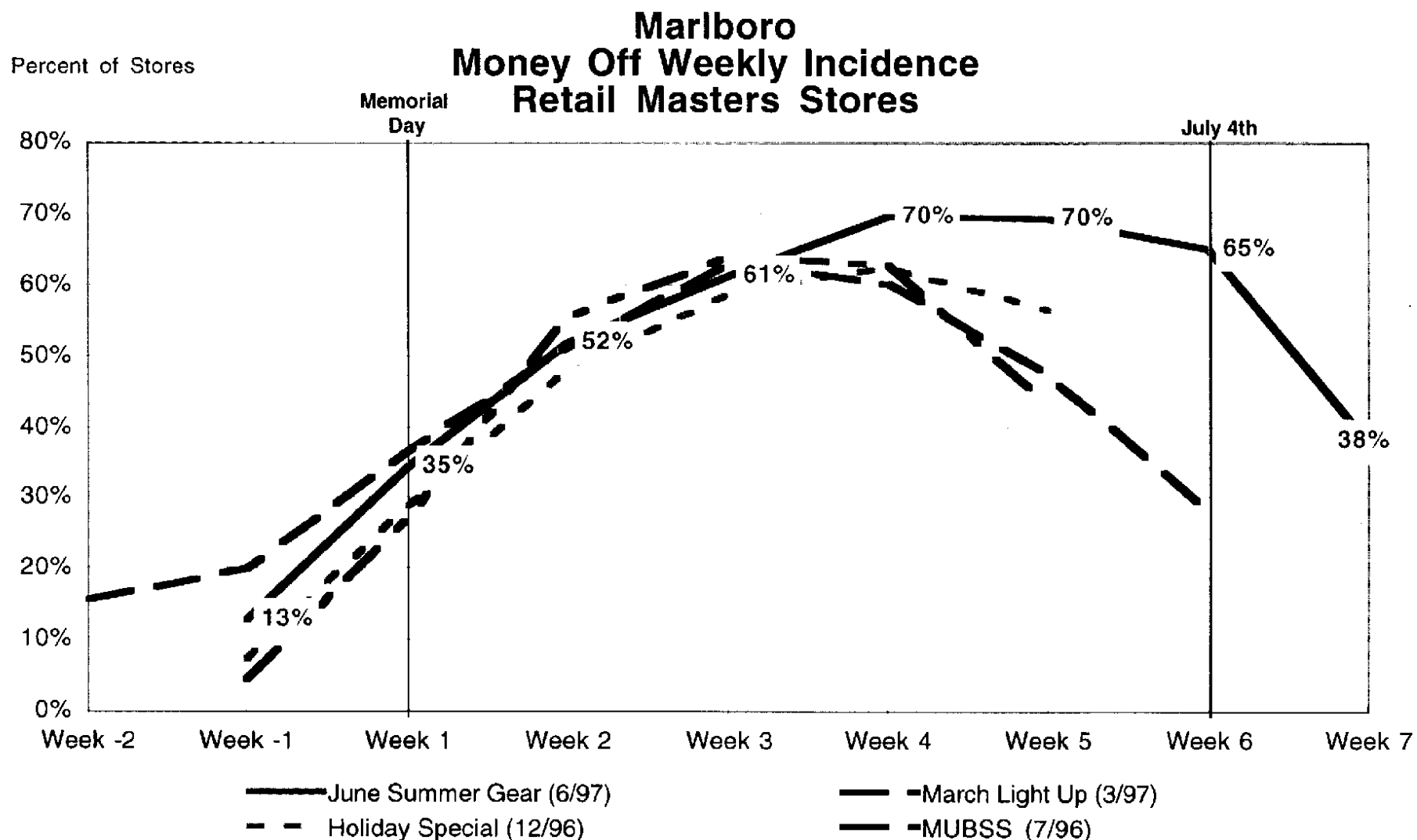


SOURCE: FULL LINE RESEARCH

© PHILIP MORRIS 1997

2071844471

PM USA - Marlboro Summer Gear Special Offer

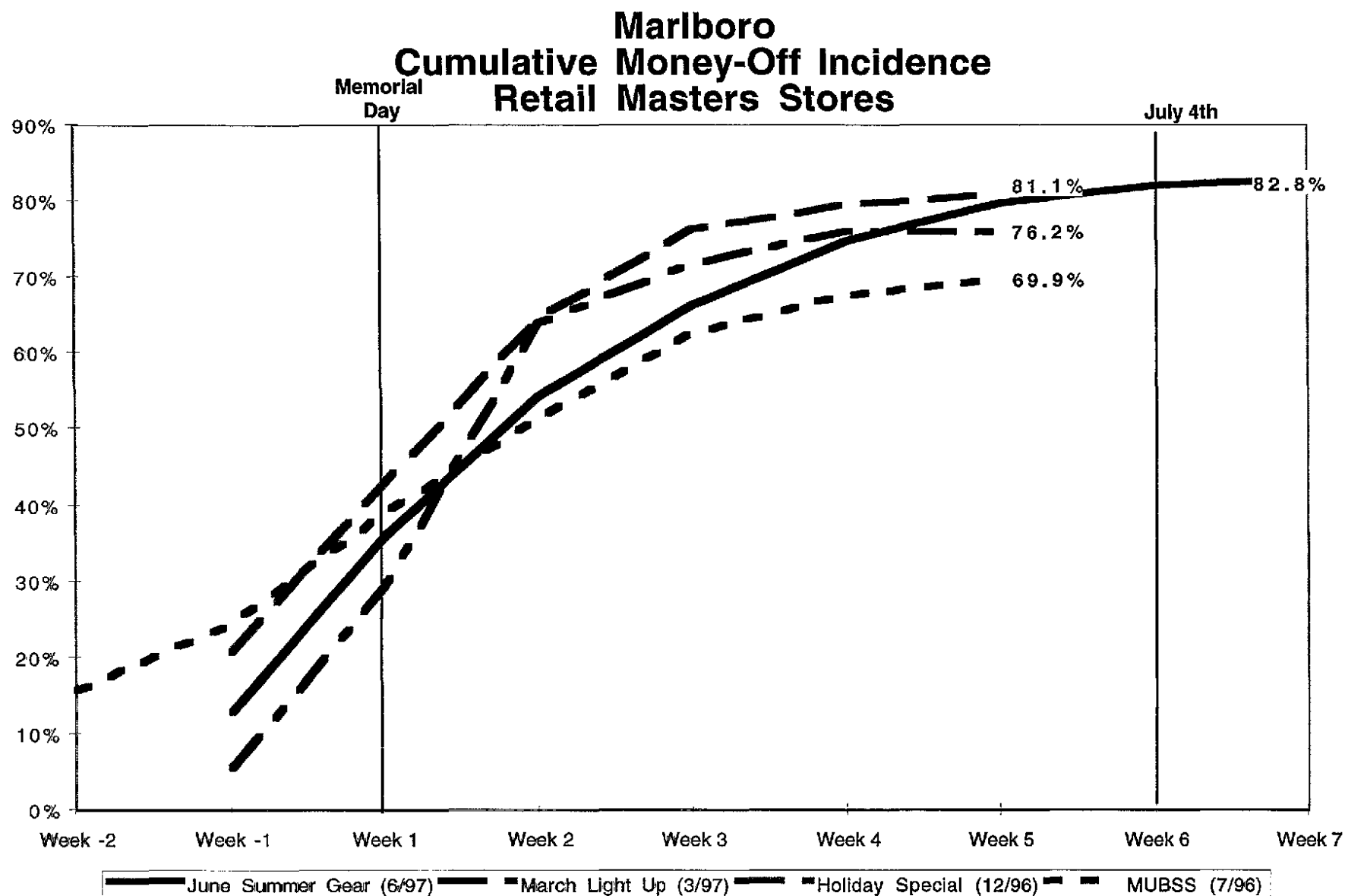


SOURCE: FULL LINE RESEARCH

© PHILIP MORRIS 1997

2071844472

PM USA - Marlboro Summer Gear Special Offer



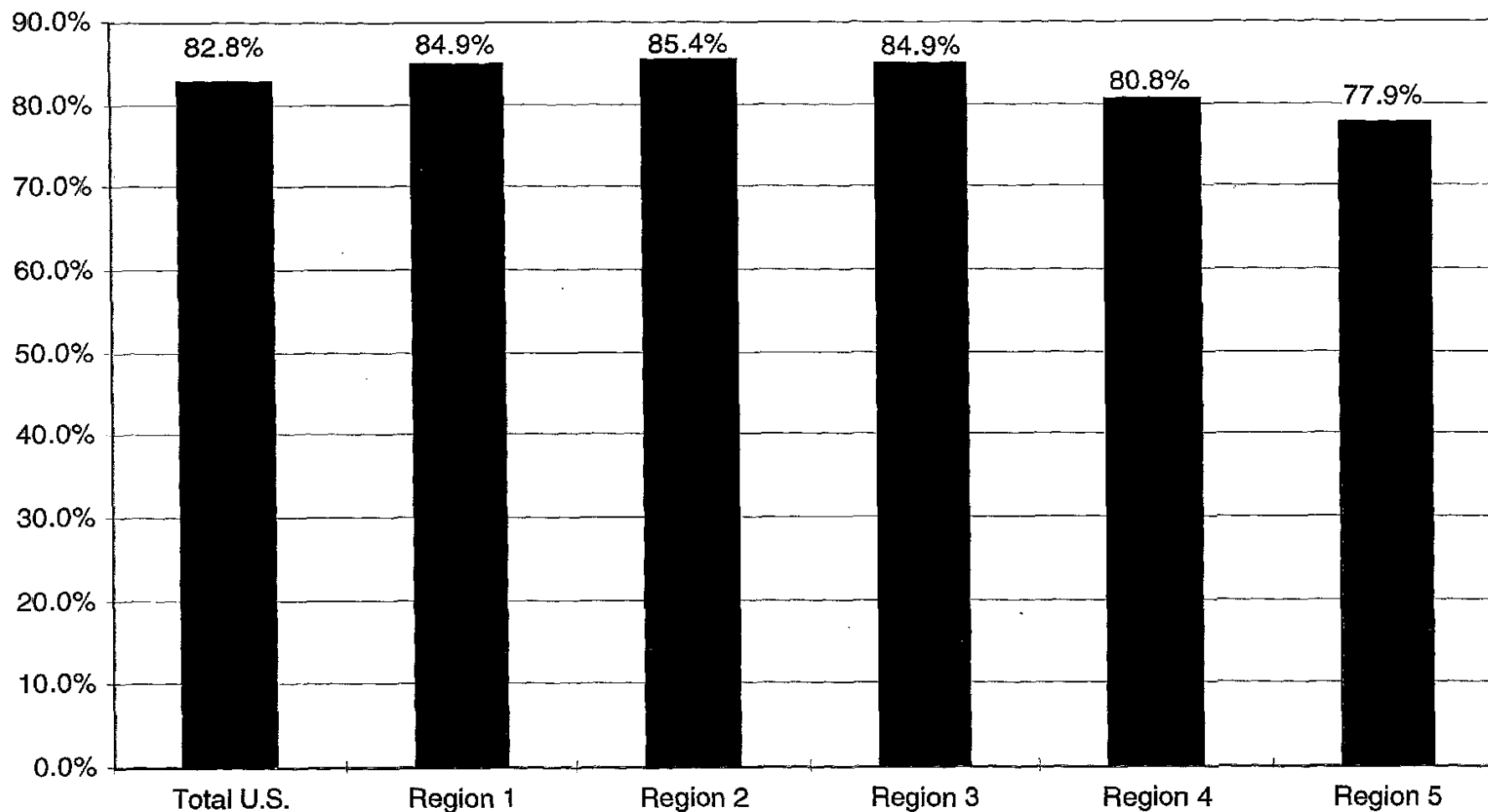
SOURCE: FULL LINE RESEARCH

© PHILIP MORRIS 1997

2071844473

PM USA - Marlboro Summer Gear Special Offer

Marlboro Money-Off Cumulative Incidence Weeks -1 Through 7 Retail Masters Stores



SOURCE: FULL LINE RESEARCH

© PHILIP MORRIS 1997

2071844474

PM USA - Marlboro Summer Gear Special Offer

Marlboro Money-Off Cumulative Incidence Week -1 Through Week 7 Retail Masters Stores



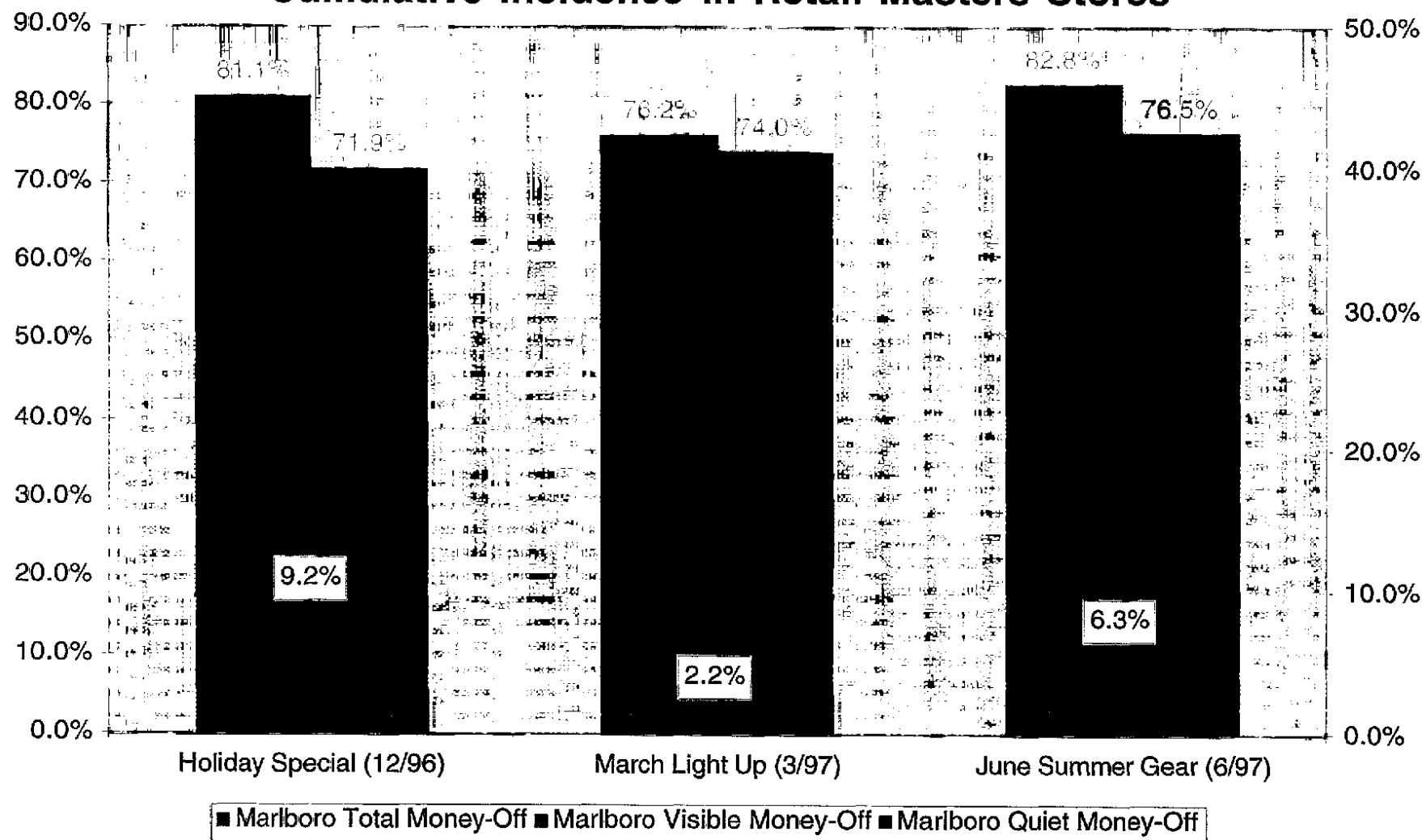
SOURCE: FULL LINE RESEARCH

© PHILIP MORRIS 1997

2071844475

PM USA - Marlboro Summer Gear Special Offer

Marlboro Money-Off Cumulative Incidence in Retail Masters Stores



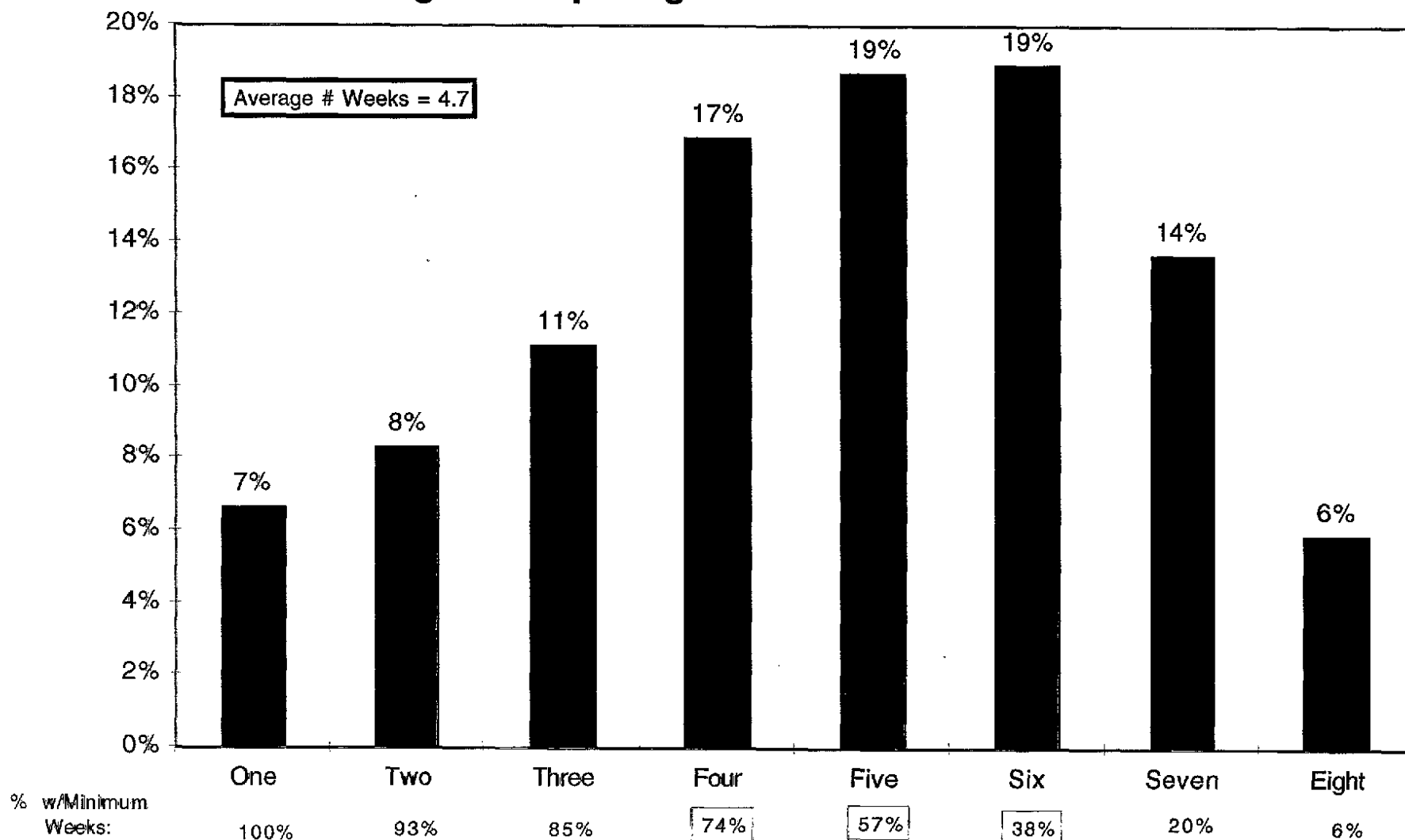
SOURCE: FULL LINE RESEARCH

2071844476

© PHILIP MORRIS 1997

PM USA - Marlboro Summer Gear Special Offer

Number of Weeks with Marlboro Money-Off Among Participating Retail Masters Stores



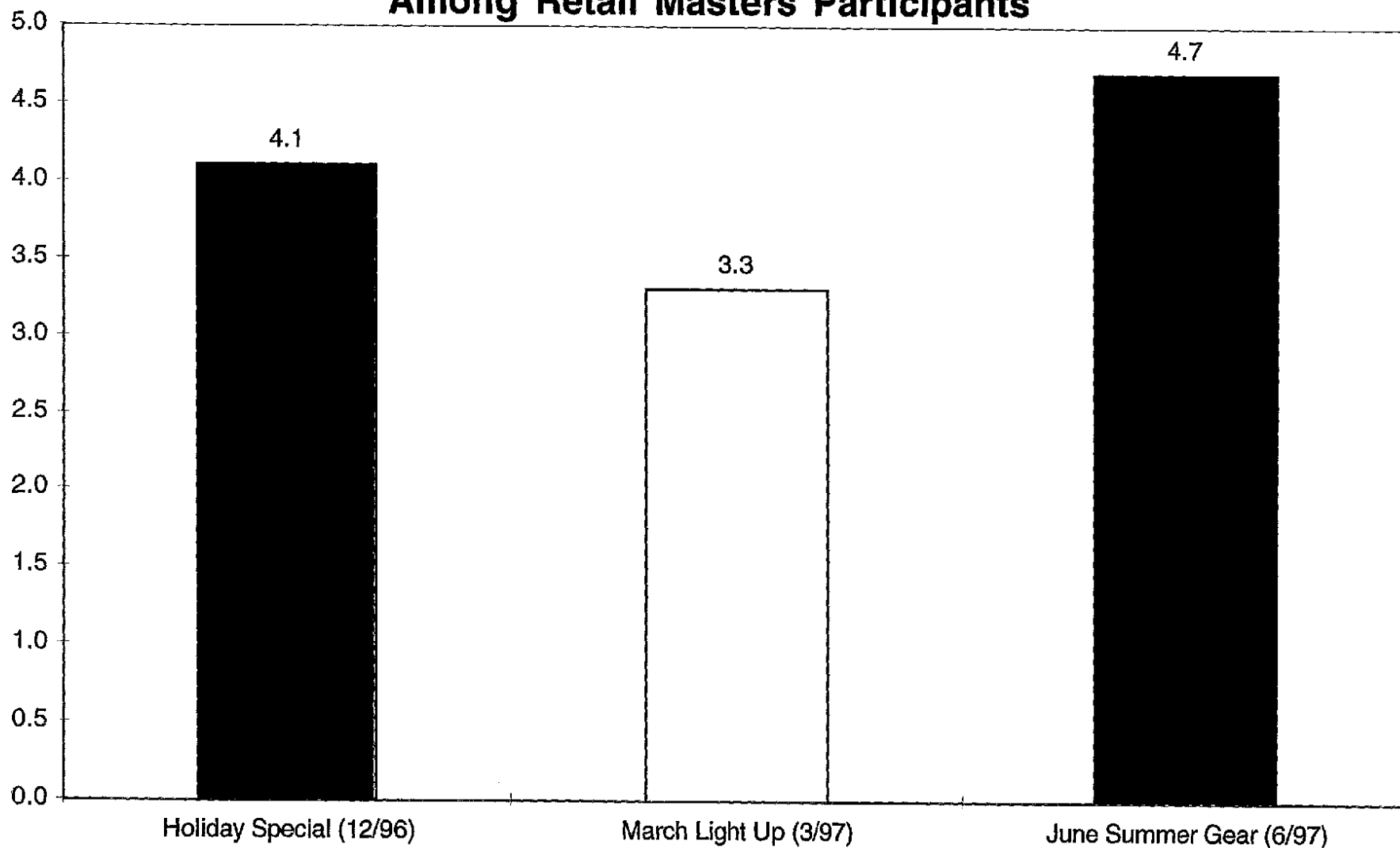
SOURCE: FULL LINE RESEARCH

© PHILIP MORRIS 1997

2071844477

PM USA - Marlboro Summer Gear Special Offer

**Average # Weeks with Marlboro Money-Off
Among Retail Masters Participants**



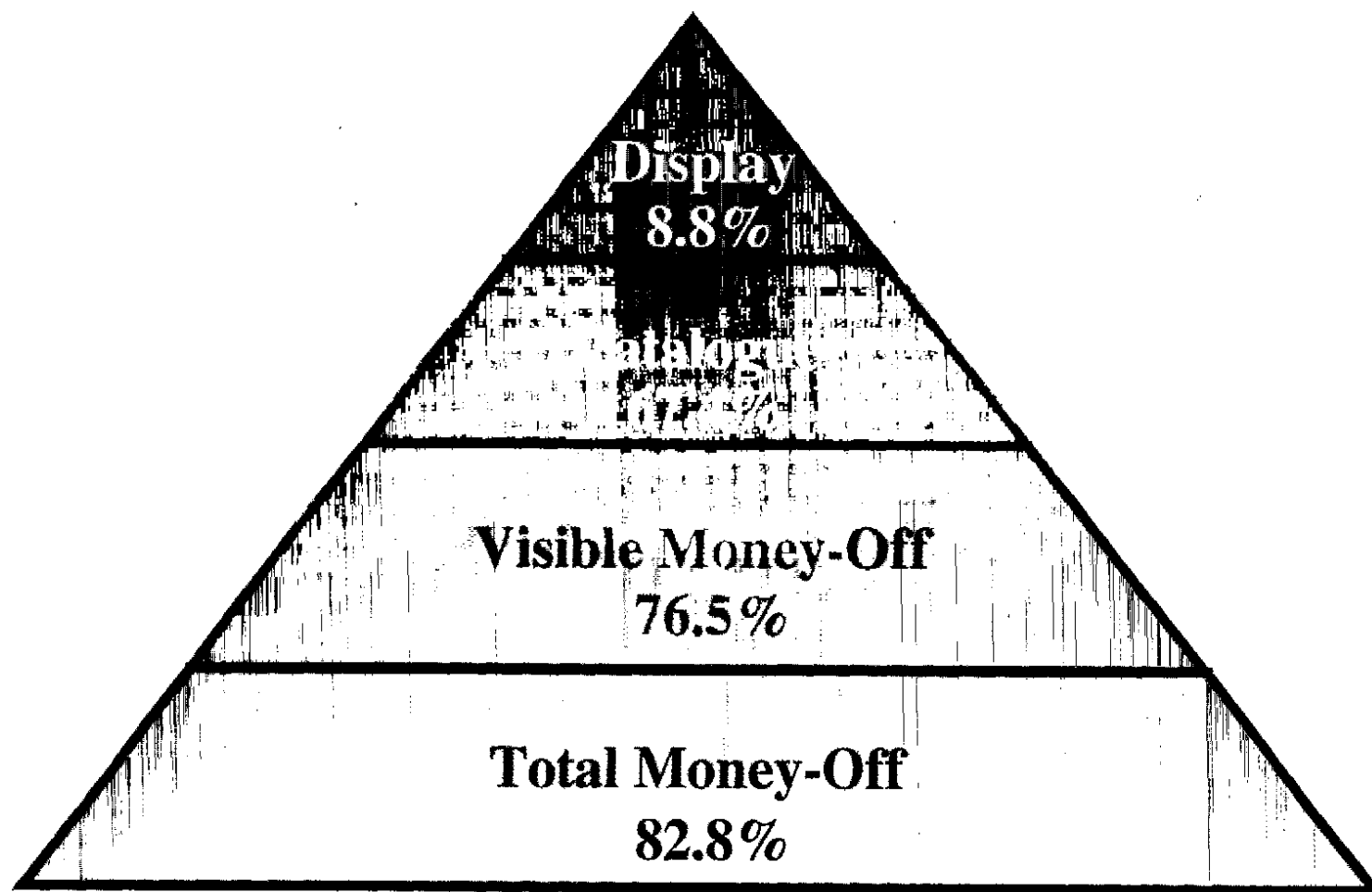
SOURCE: FULL LINE RESEARCH

© PHILIP MORRIS 1997

2071844478

PM USA - Marlboro Summer Gear Special Offer

RETAIL IMPLEMENTATION PYRAMID
Marlboro Summer Gear Special Offer
(% of Retail Masters Stores)

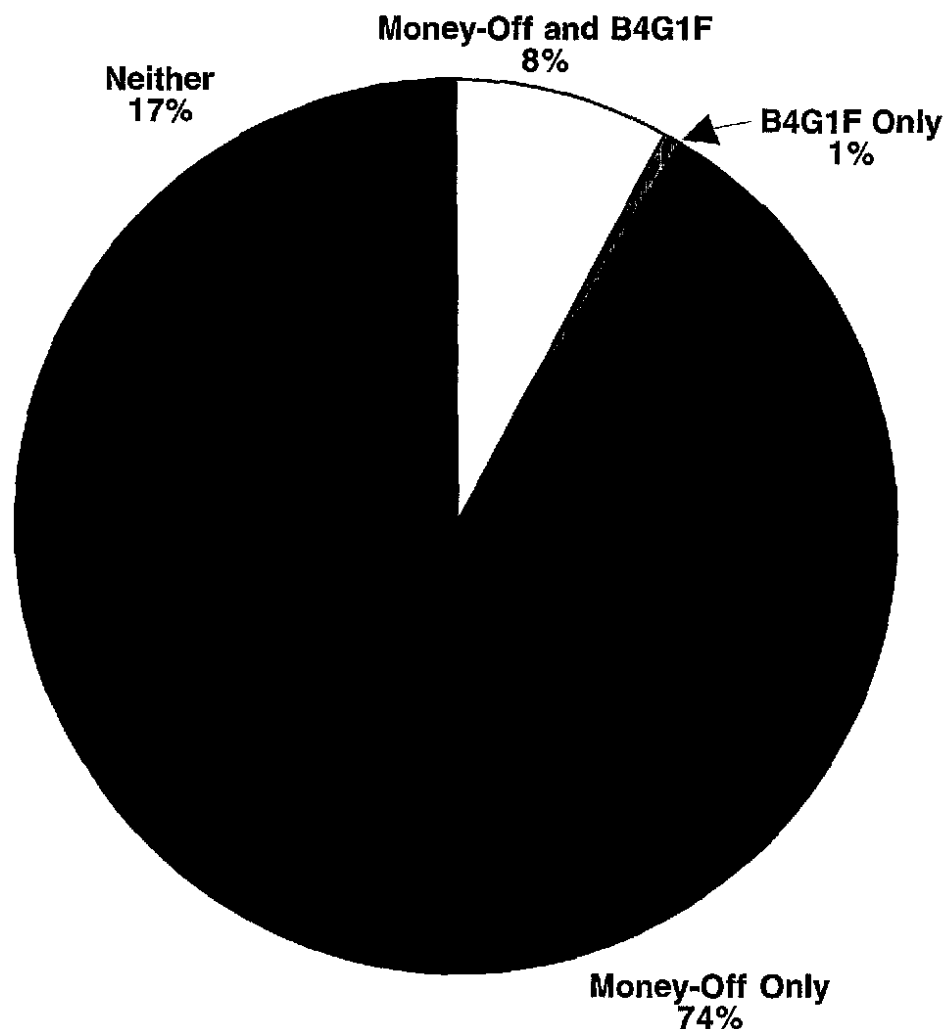


2071844479

© PHILIP MORRIS 1997

PM USA - Marlboro Summer Gear Special Offer

Marlboro June Promotions Cumulative Penetration of Retail Masters Stores



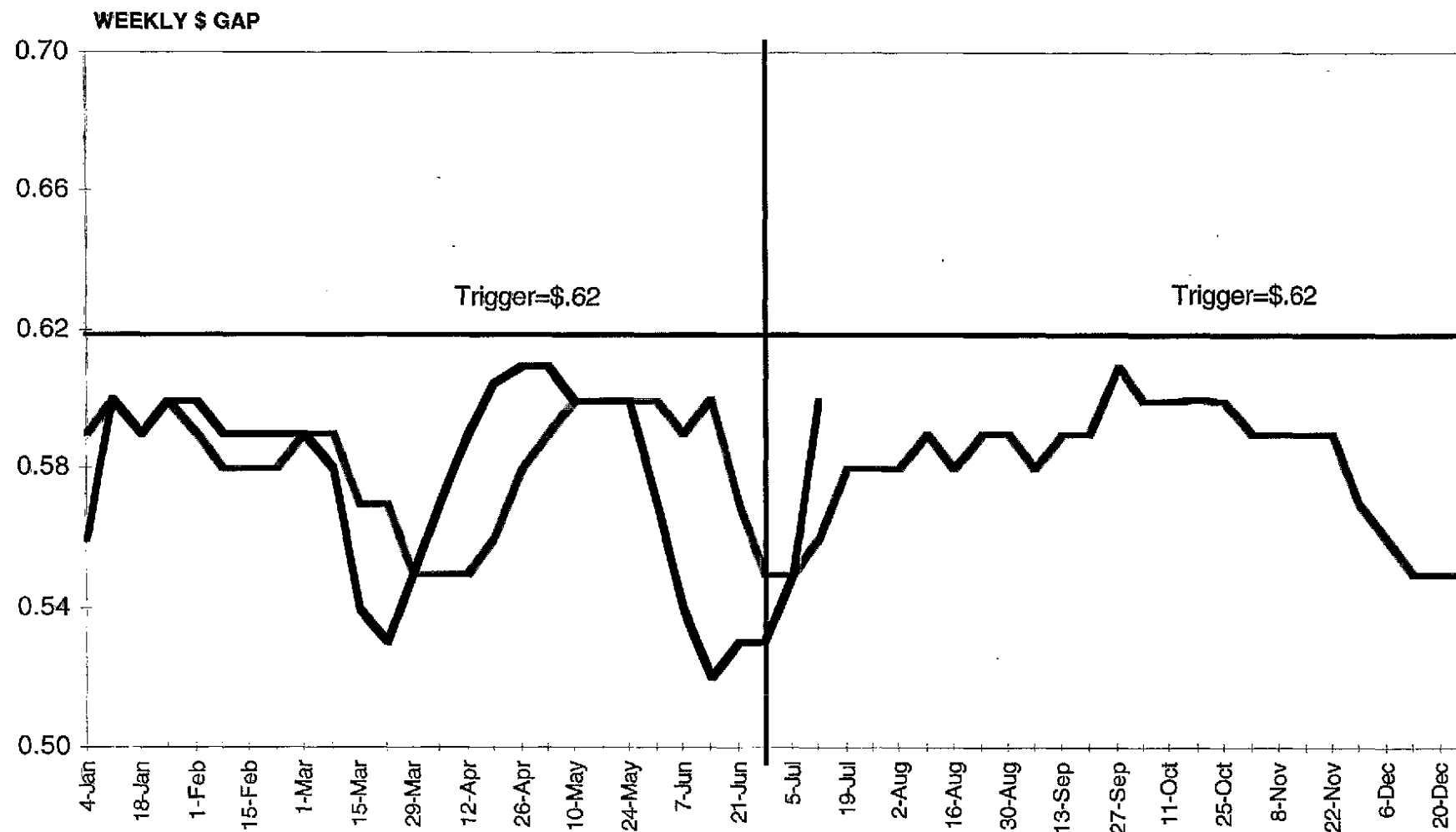
SOURCE: FULL LINE RESEARCH

© PHILIP MORRIS 1997

2071844480

PM USA - Marlboro Summer Gear Special Offer

MARLBORO VS LOWEST DISCOUNT AVERAGE DOLLAR GAP

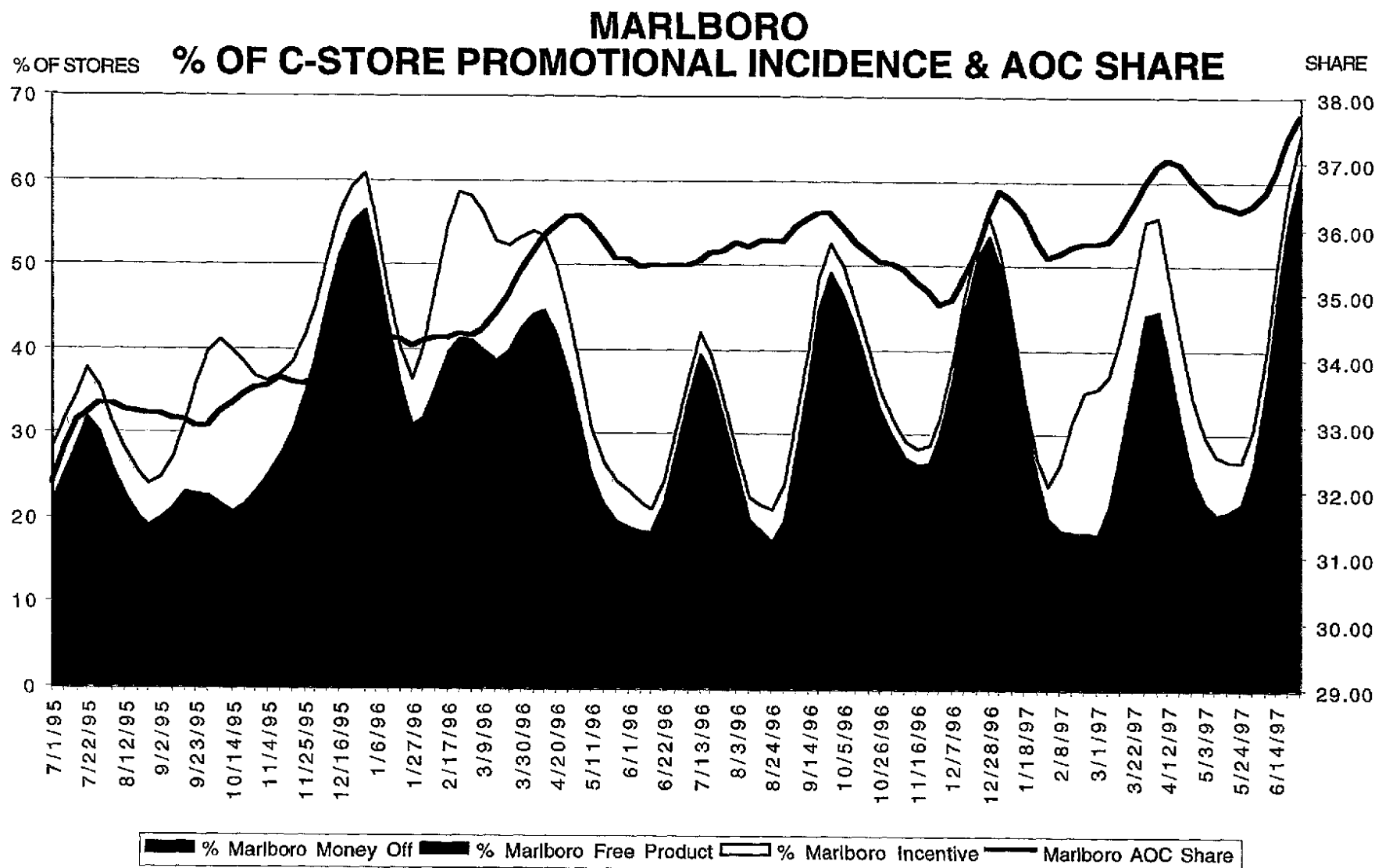


SOURCE: NIELSEN EXPANDED PRICING

2071844481

© PHILIP MORRIS 1997

PM USA - Marlboro Summer Gear Special Offer

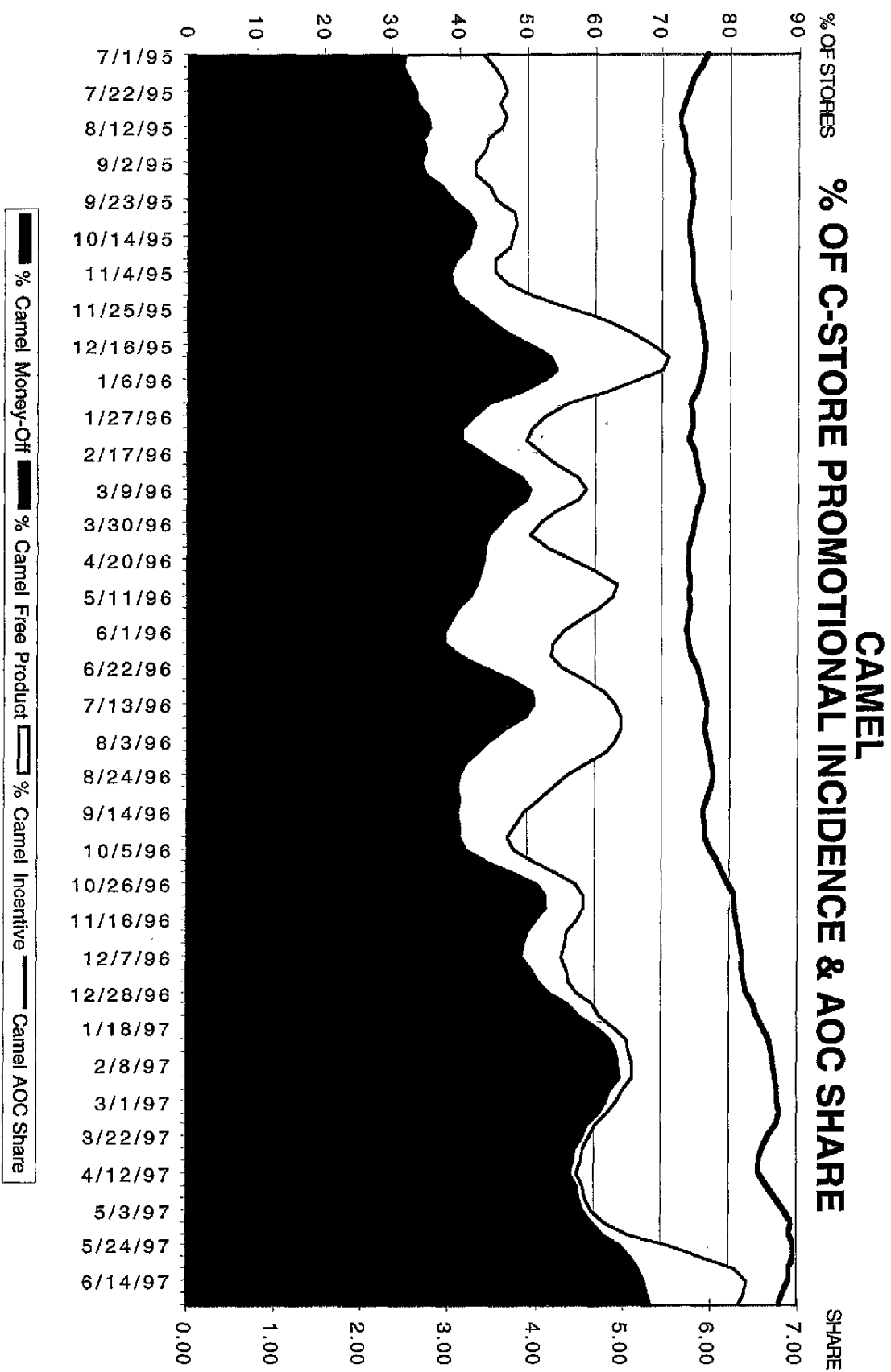


Source: Nielsen (4 Wk)

2071844482

© PHILIP MORRIS 1997

PM USA - Marlboro Summer Gear Special Offer

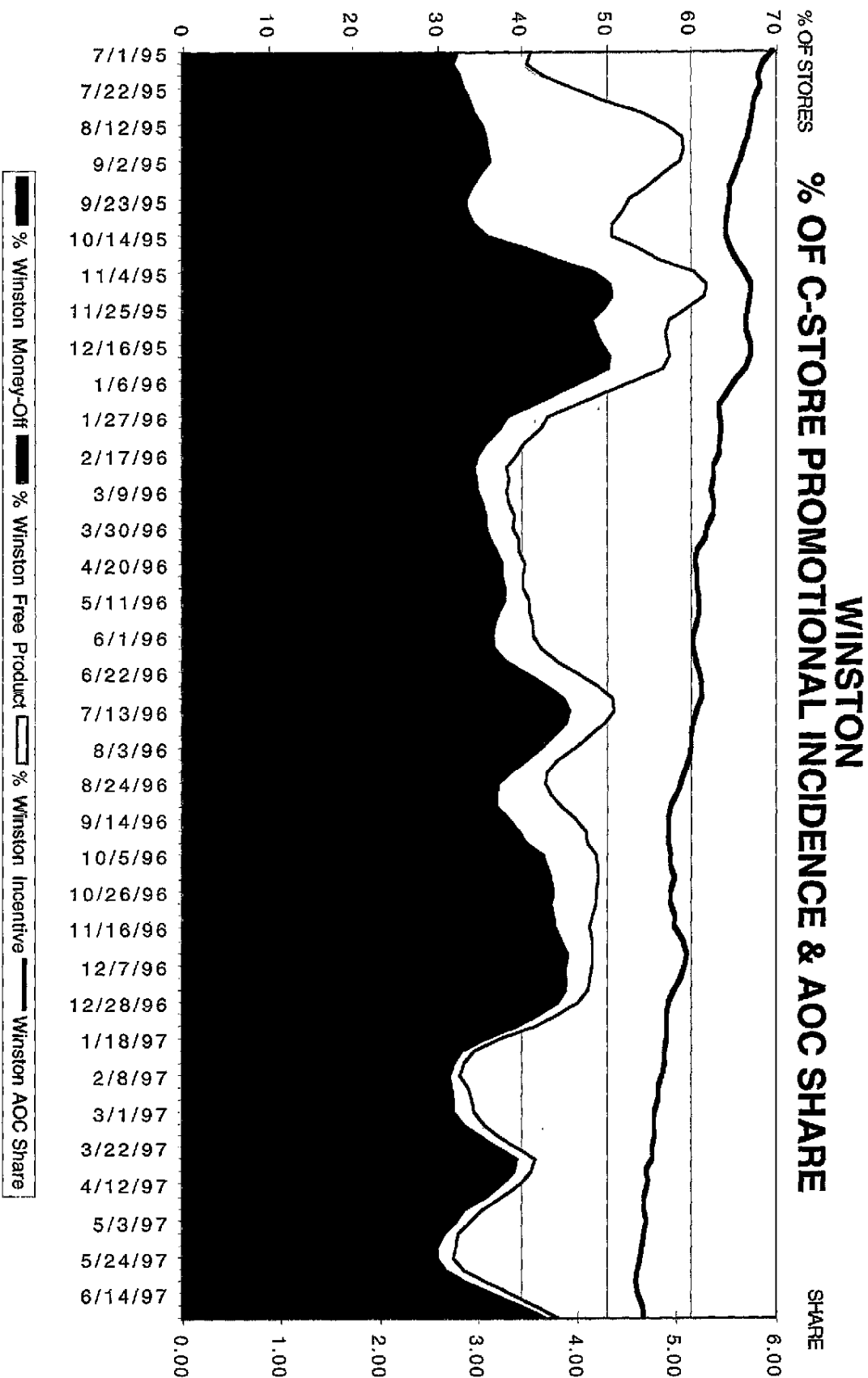


Source: Nielsen (4 WK)

2071844483

© PHILIP MORRIS 1997

PM USA - Marlboro Summer Gear Special Offer

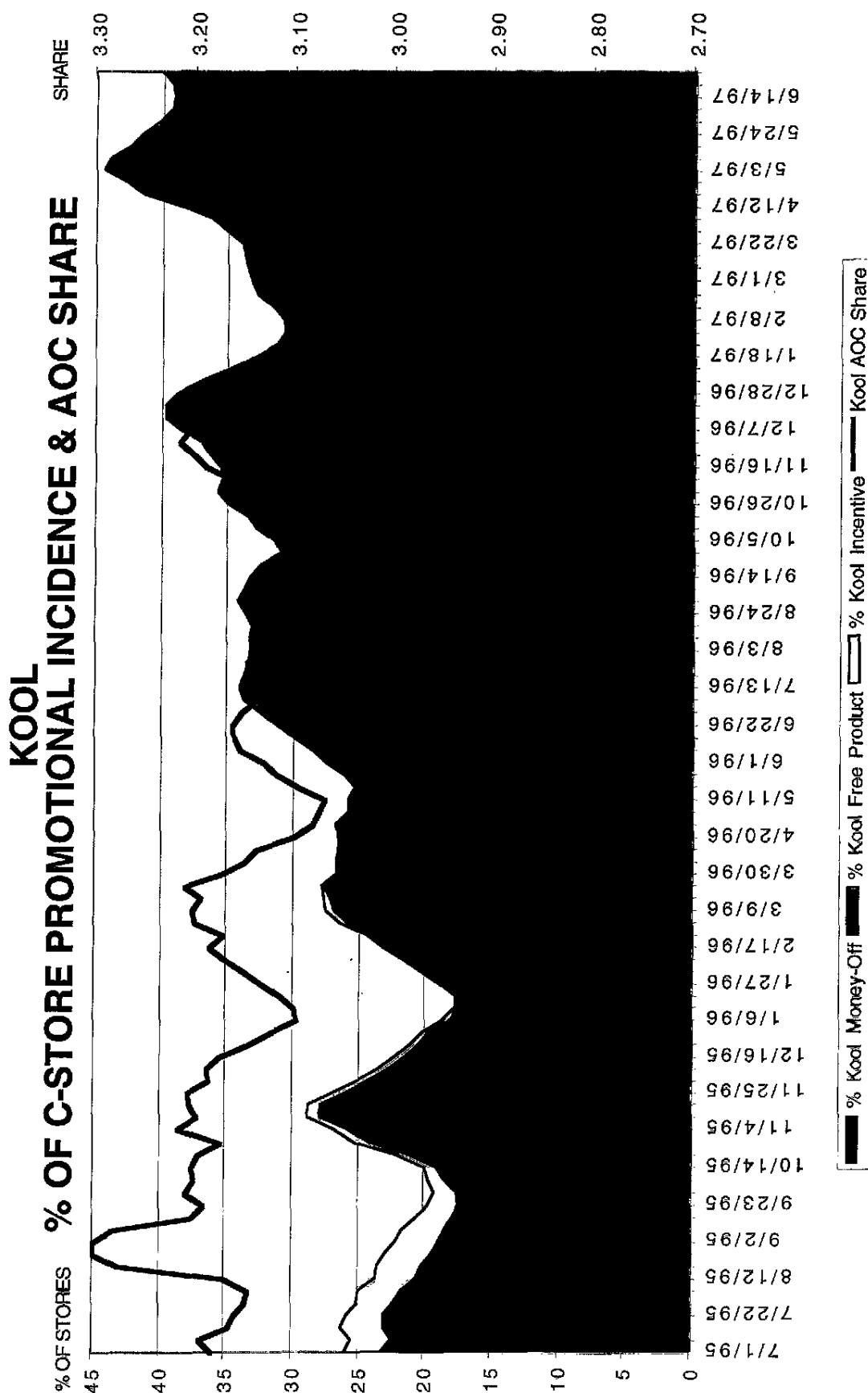


Source: Nielsen (4 WK)

2071844484

© PHILIP MORRIS 1997

PM USA - Marlboro Summer Gear Special Offer

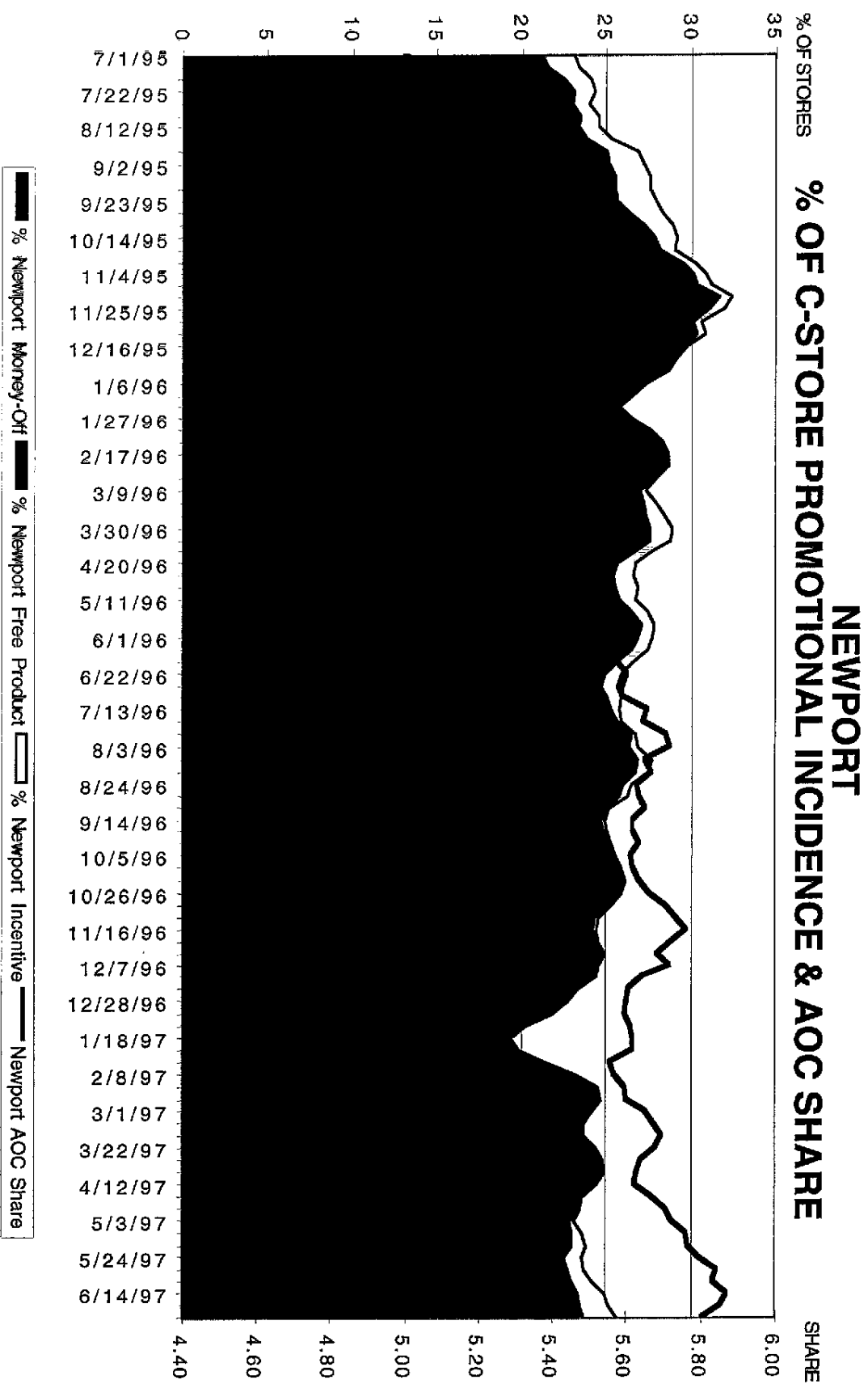


Source: Nielsen (4 Wk)

2071844485

© PHILIP MORRIS 1997

PM USA - Marlboro Summer Gear Special Offer

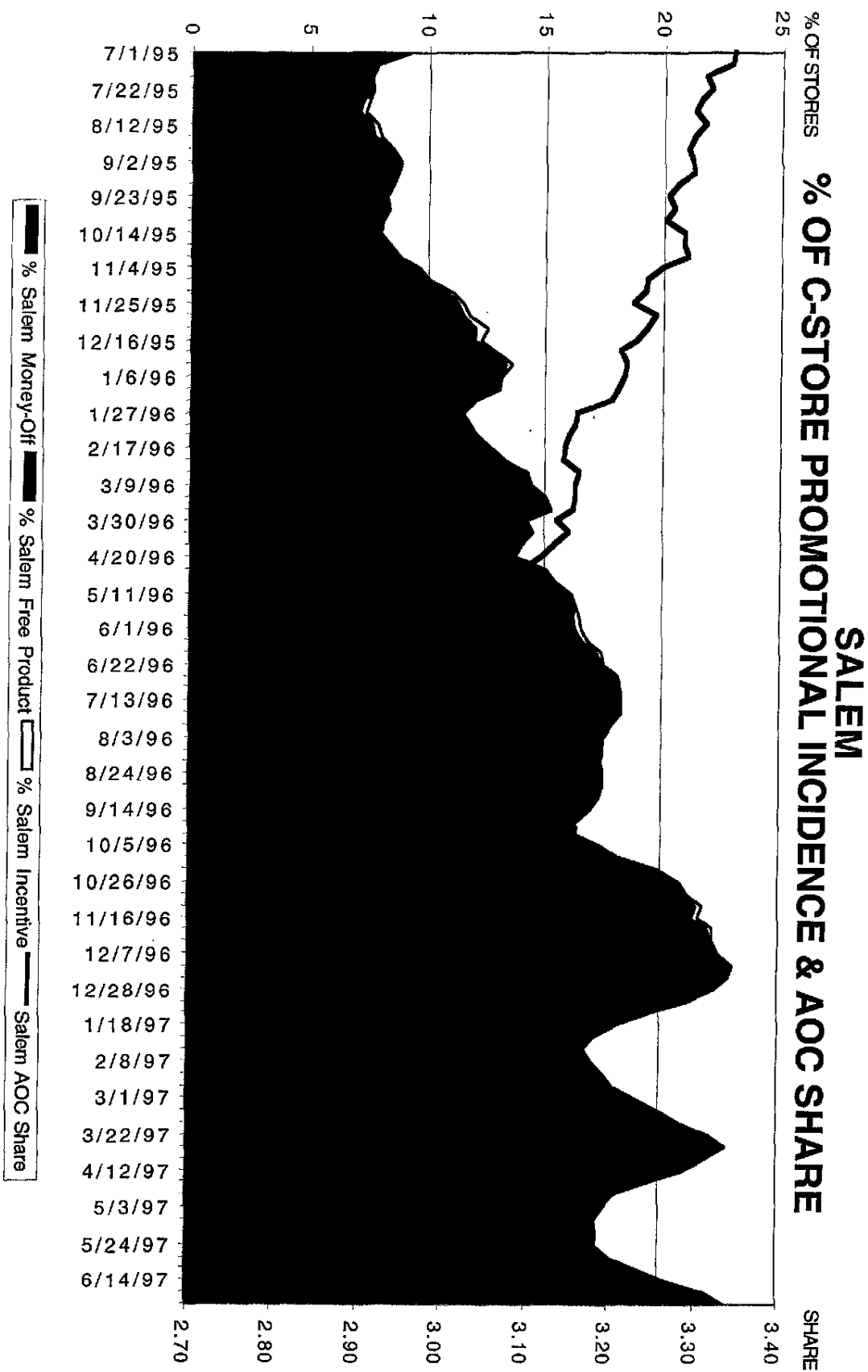


Source: Nielsen (4 WK)

2071844486

© PHILIP MORRIS 1997

PM USA - Marlboro Summer Gear Special Offer



Source: Nielsen (4 Wks)

2071844487

© PHILIP MORRIS 1997

PM USA - Marlboro Summer Gear Special Offer

Marlboro Money-Off Promotions

Change in Marlboro Share

	Stores with <u>Promo</u>	Stores w/o <u>Promo</u>
Holiday Bonus (12/95)	2.16 pts	0.28 pts
MBSS (3/96)	2.08 pts	1.16 pts
MUBSS (7/96)	0.94 pts	-0.74 pts
Holiday Special (12/96)	2.60 pts	-0.74 pts
March Light-Up (3/97)	2.10 pts	0.60 pts
Marlboro Money-Off (6/97)	2.28 pts	0.33 pts

*Change measured based on 2 weeks prior to promotion versus peak of promotion

SOURCE: NIELSEN

© PHILIP MORRIS 1997

2071844488

PM USA - Marlboro Summer Gear Special Offer

Marlboro Money-Off Promotions

Change in Industry Volume (CPW)

	Stores with <u>Promo</u>	Stores w/o <u>Promo</u>
Holiday Bonus (12/95)	0 CPW	-2 CPW
MBSS (3/96)	9 CPW	0 CPW
MUBSS (7/96)	14 CPW	2 CPW
Holiday Special (12/96)	3 CPW	-9 CPW
March Light-Up (3/97)	9 CPW	4 CPW
Marlboro Money-Off (6/97)	15 CPW	5 CPW

*Change measured based on 2 weeks prior to promotion versus peak of promotion

SOURCE: NIELSEN

© PHILIP MORRIS 1997

2071844489

© PHILIP MORRIS 1997

2071844490

BASIC SUMMER OF SAVINGS

PM USA - Basic Summer of Savings

PROGRAM OBJECTIVES/STRATEGIES

Build awareness & sales of Basic in Retail Masters Accounts by:

- Rewarding adult smokers with a discount of at least 20¢ per pack/\$2.00 per carton on Basic from Memorial Day weekend through the 4th of July weekend.
- Communicate the offer with supporting POS.

2071844491

© PHILIP MORRIS 1997

PM USA - Basic Summer of Savings

FIELD SALES OBJECTIVES/RESULTS

OBJECTIVES

- Penetrate 85% of Retail Masters accounts
- Place POS with Price call-out in all participating stores

RESULTS

(Cumulative through week 7)

- 67% of Retail Masters stores offered money-off deals
- 57% of Retail Masters stores had visible price call-out

2071844492

© PHILIP MORRIS 1997

PM USA - Basic Summer of Savings

SUMMARY FINDINGS

- Although share response appeared somewhat lower than recent Basic Price Promotions, GPC and Doral show declines.
- Penetration
- Gaps continue to exist between Basic visible vs. total money-off and between Marlboro vs. Basic money-off levels.

2071844493

© PHILIP MORRIS 1997

PM USA - Basic Summer of Savings

Total Money-Off

When Cambridge is in distribution and priced less than Virginia Slims...

- Basic sells for at least .20¢/\$2.00 per pack/carton less than Cambridge

No Cambridge at discount price level...

- Basic compared to current GPC, Doral or Basic's price during Week -1

Visible Money-Off

- Basic's promoted price or amount off is communicated through signage/POS

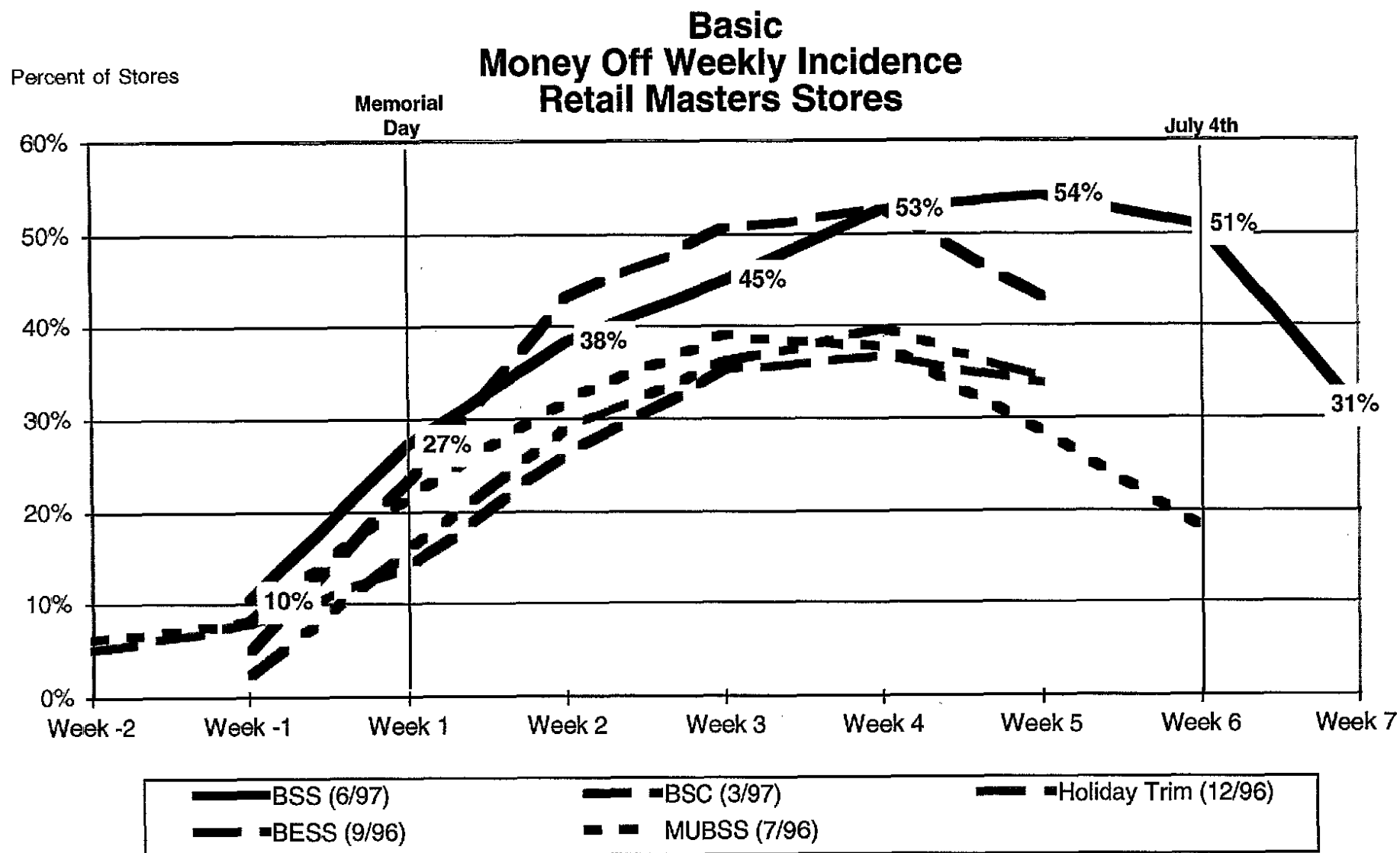
Quiet Money Off

- Basic's promoted price or amount off is NOT clearly communicated through signage/POS

2071844494

© PHILIP MORRIS 1997

PM USA - Basic Summer of Savings

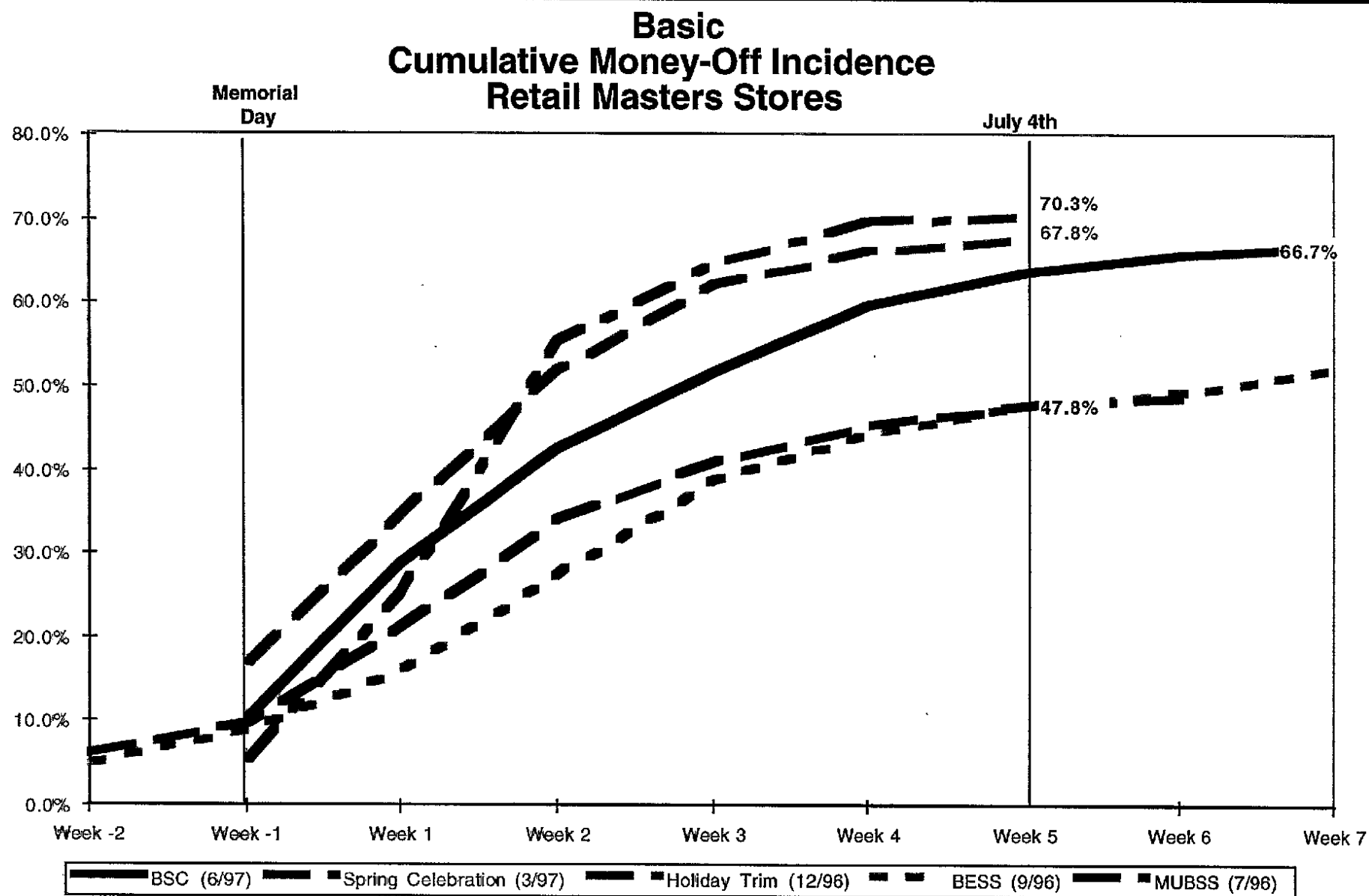


SOURCE: FULL LINE RESEARCH

© PHILIP MORRIS 1997

2071844495

PM USA - Basic Summer of Savings



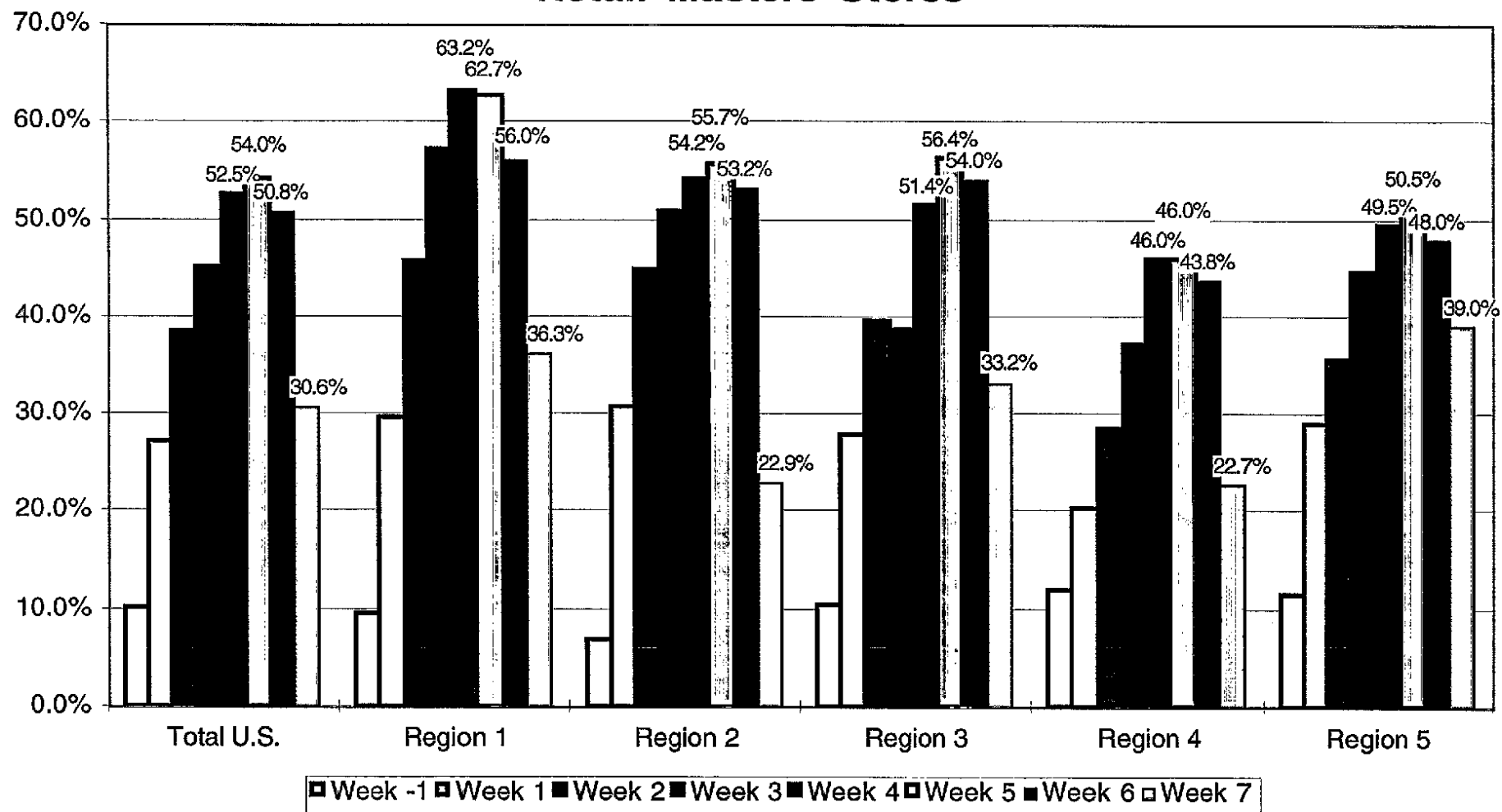
SOURCE: FULL LINE RESEARCH

© PHILIP MORRIS 1997

2071844496

PM USA - Basic Summer of Savings

Basic Money-Off Weekly Incidence Retail Masters Stores



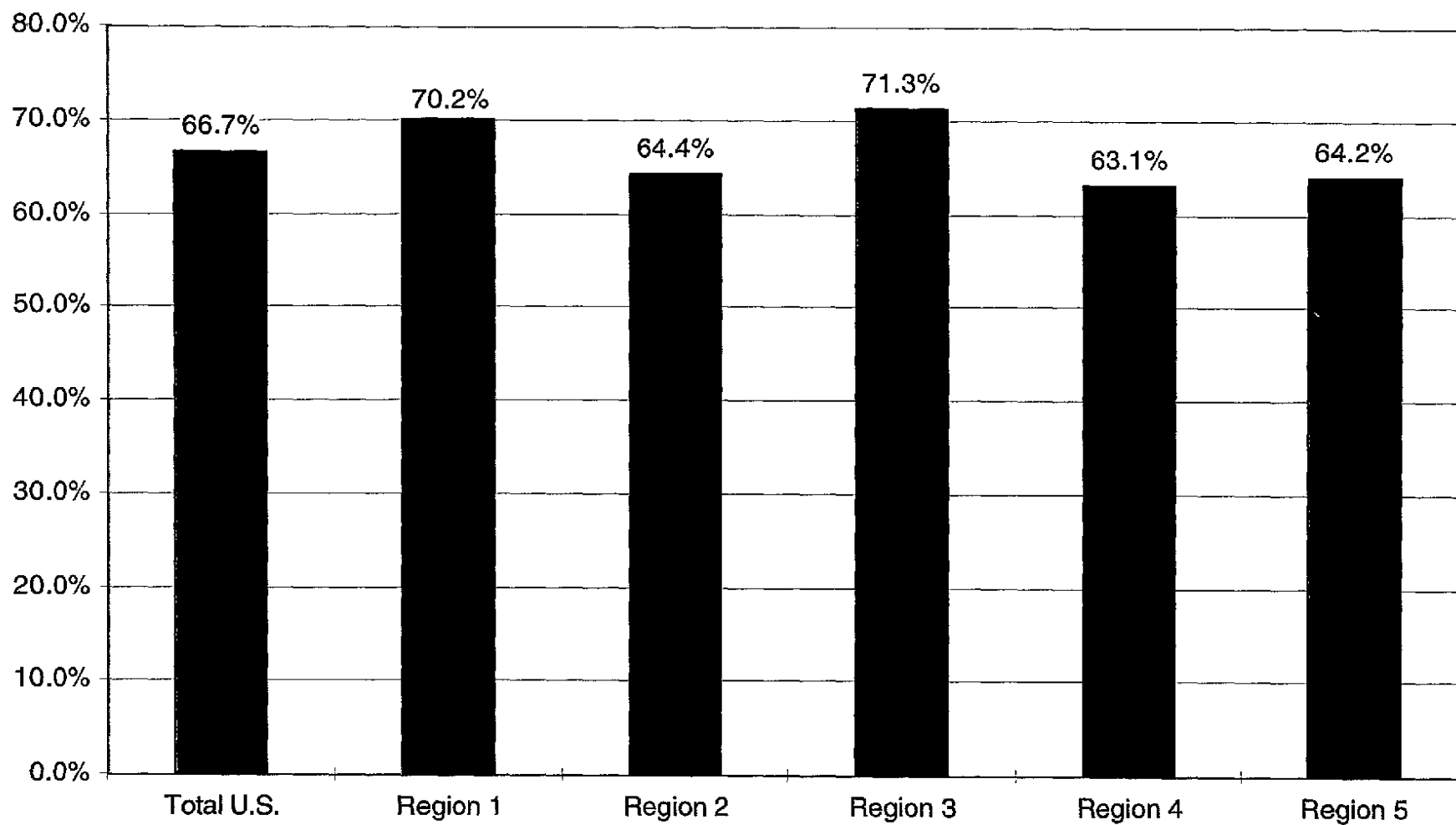
SOURCE: FULL LINE RESEARCH

© PHILIP MORRIS 1997

2071844497

PM USA - Basic Summer of Savings

Basic Money-Off Cumulative Incidence Weeks -1 Through 7 Retail Masters Stores



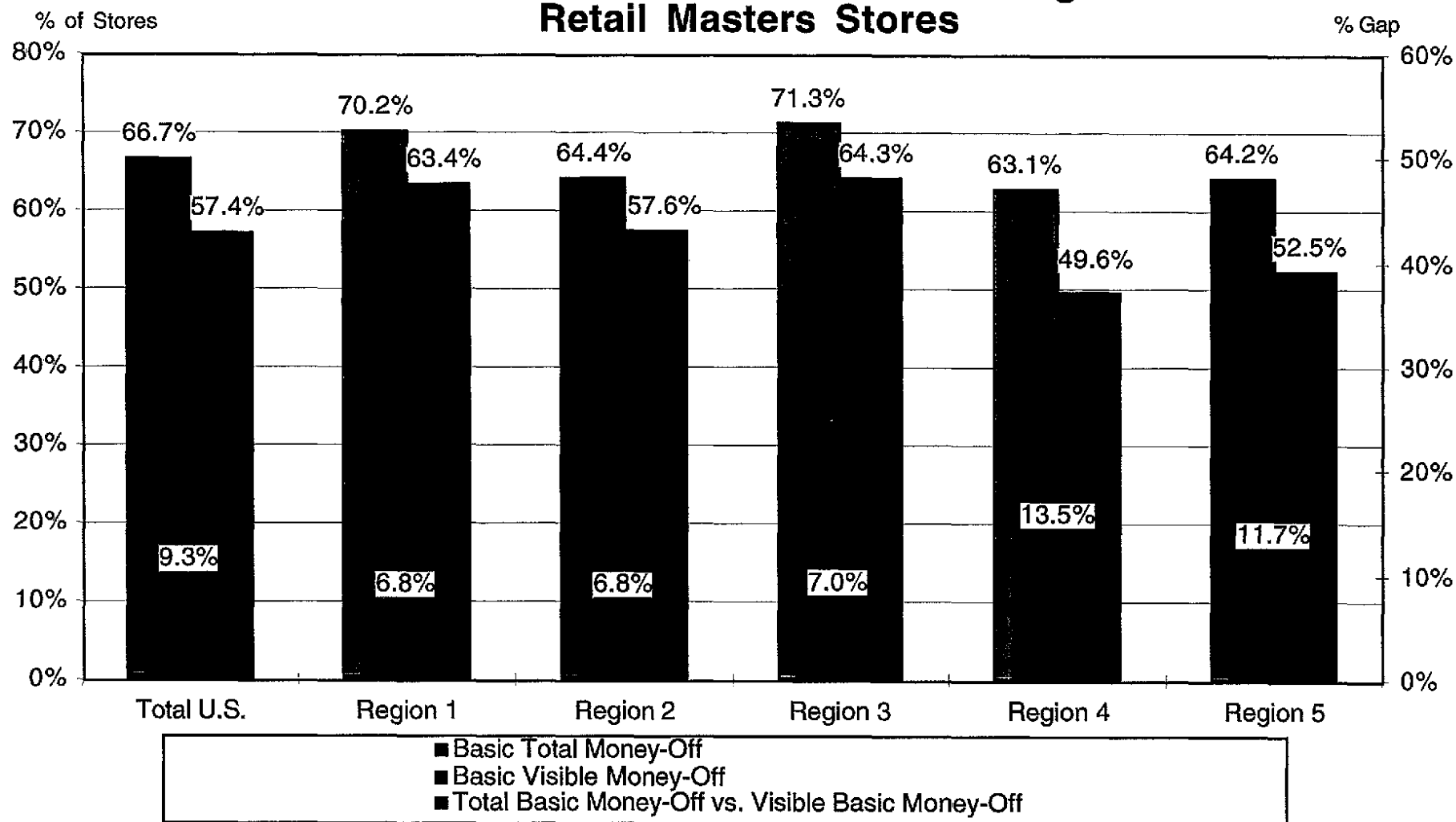
SOURCE: FULL LINE RESEARCH

© PHILIP MORRIS 1997

2071844498

PM USA - Basic Summer of Savings

Basic Summer of Savings Money-Off Cumulative Incidence Week -1 Through 7 Retail Masters Stores



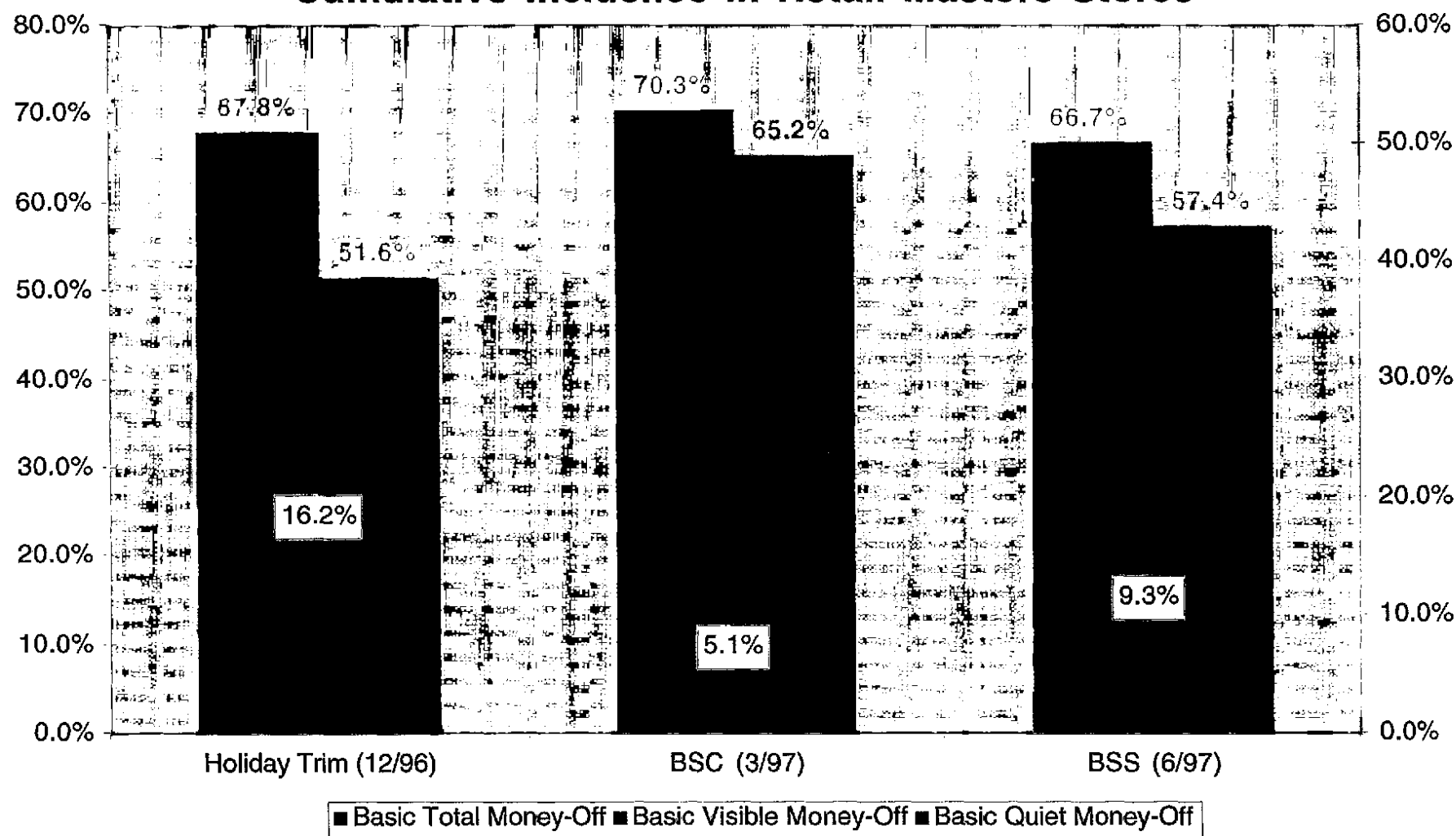
SOURCE: FULL LINE RESEARCH

© PHILIP MORRIS 1997

207184499

PM USA - Basic Summer of Savings

Basic Money-Off Cumulative Incidence in Retail Masters Stores



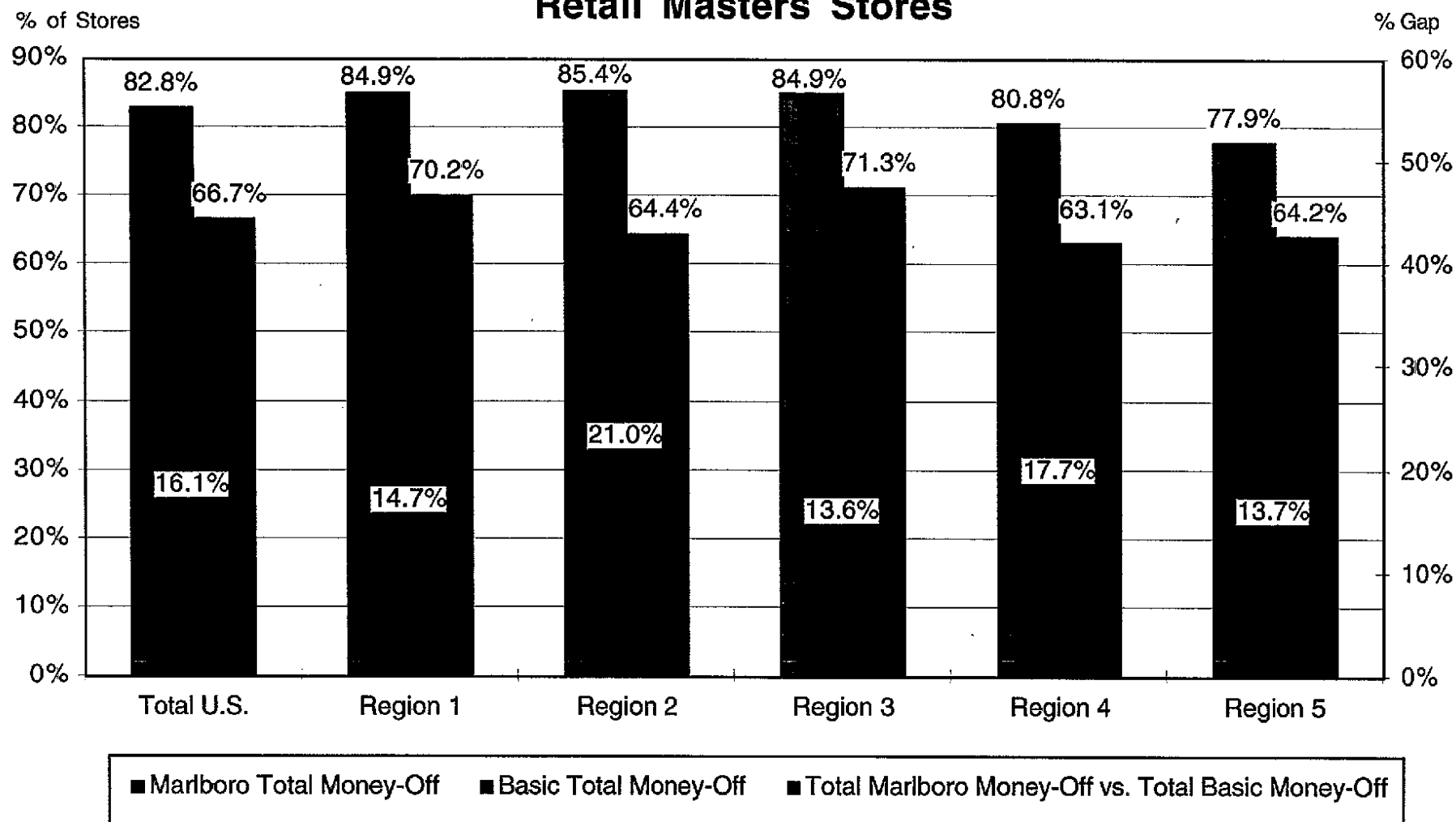
SOURCE: FULL LINE RESEARCH

© PHILIP MORRIS 1997

2071844500

PM USA - Basic Summer of Savings

Basic Summer of Savings Money-Off Cumulative Incidence Week -1 Through Week 7 Retail Masters Stores



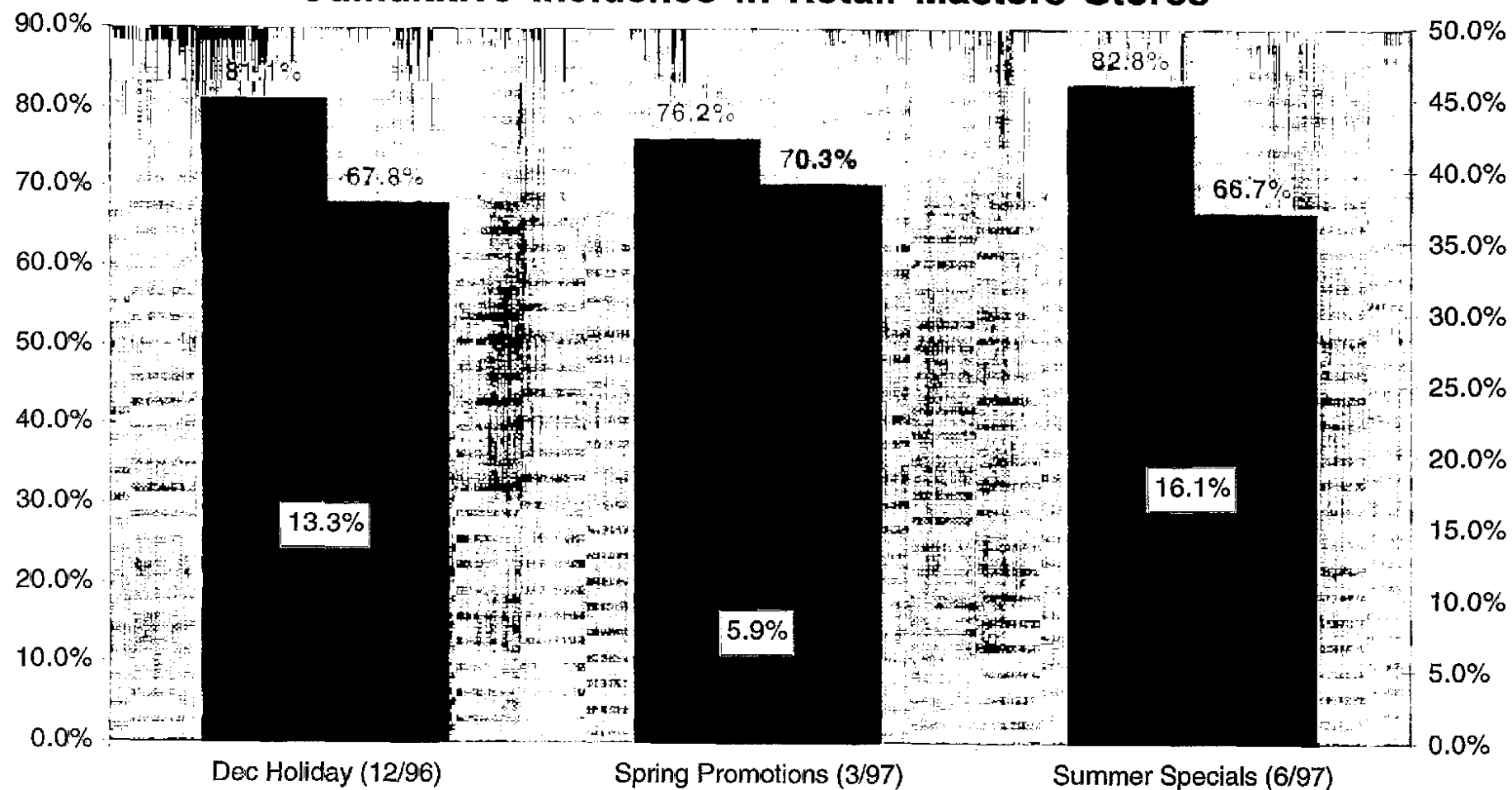
SOURCE: FULL LINE RESEARCH

© PHILIP MORRIS 1997

2071844501

PM USA - Basic Summer of Savings

Marlboro and Basic Money-Off Cumulative Incidence in Retail Masters Stores



■ Marlboro Total Money-Off ■ Basic Total Money-Off ■ Total Marlboro Money-Off vs. Basic Money-Off

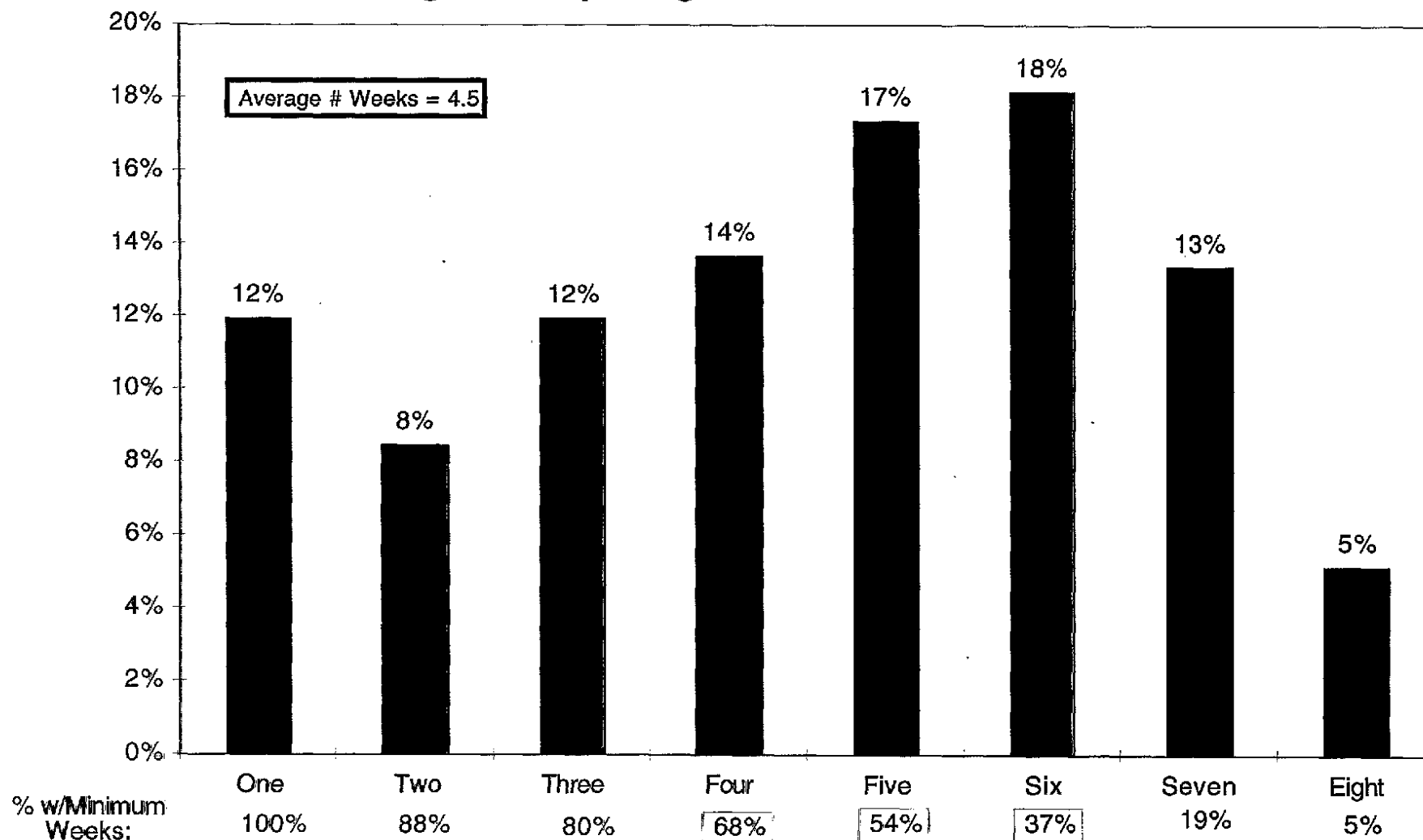
SOURCE: FULL LINE RESEARCH

2071844502

© PHILIP MORRIS 1997

PM USA - Basic Summer of Savings

Number of Weeks with Basic Money-Off
Among Participating Retail Masters Stores



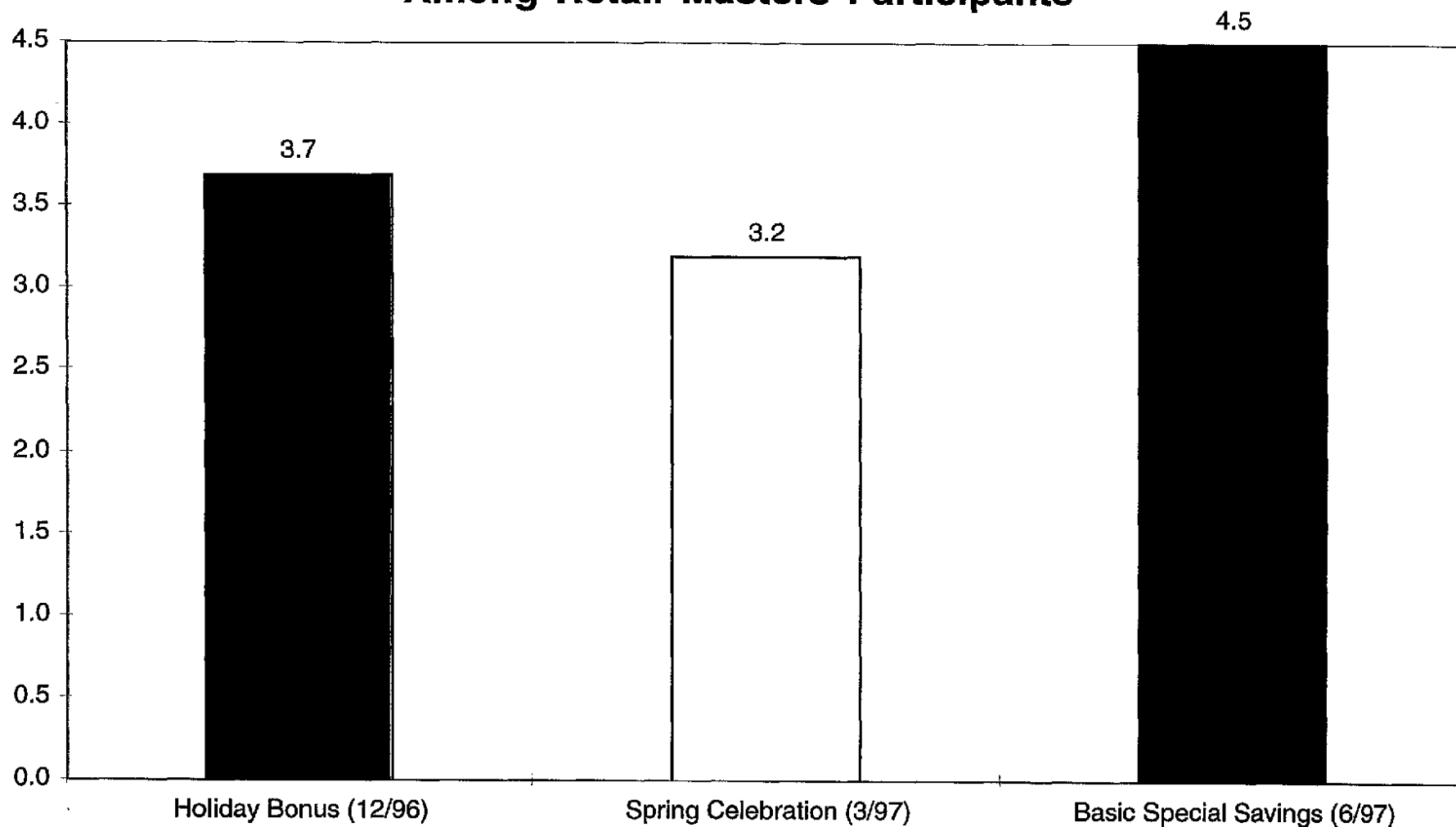
SOURCE: FULL LINE RESEARCH

© PHILIP MORRIS 1997

2071844503

PM USA - Basic Summer of Savings

**Average # of Weeks with Basic Money Money-Off
Among Retail Masters Participants**



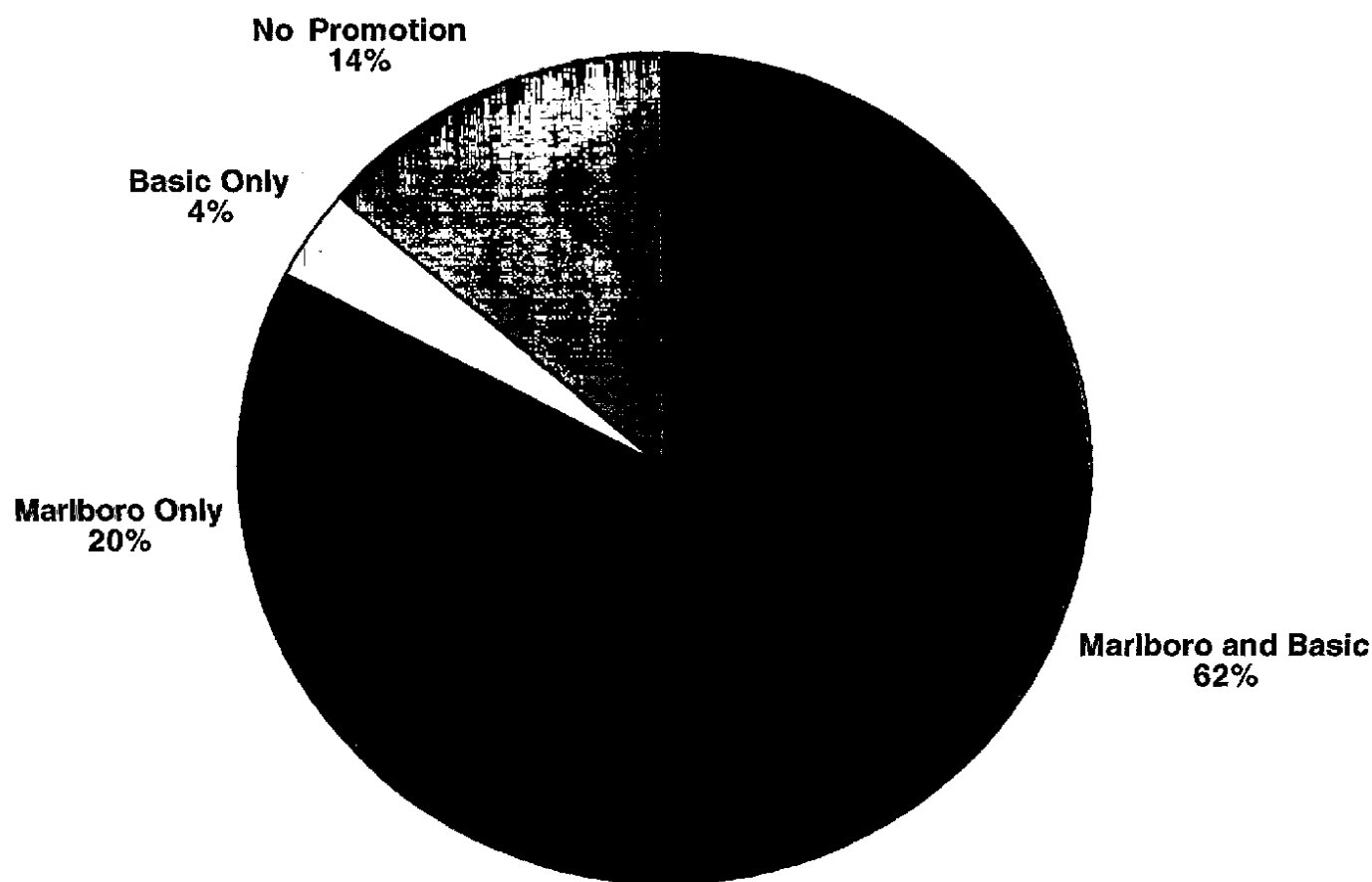
SOURCE: FULL LINE RESEARCH

© PHILIP MORRIS 1997

2071844504

PM USA - Marlboro Summer Gear Special Offer

June Money-Off Promotions Cumulative Penetration of Retail Masters Stores

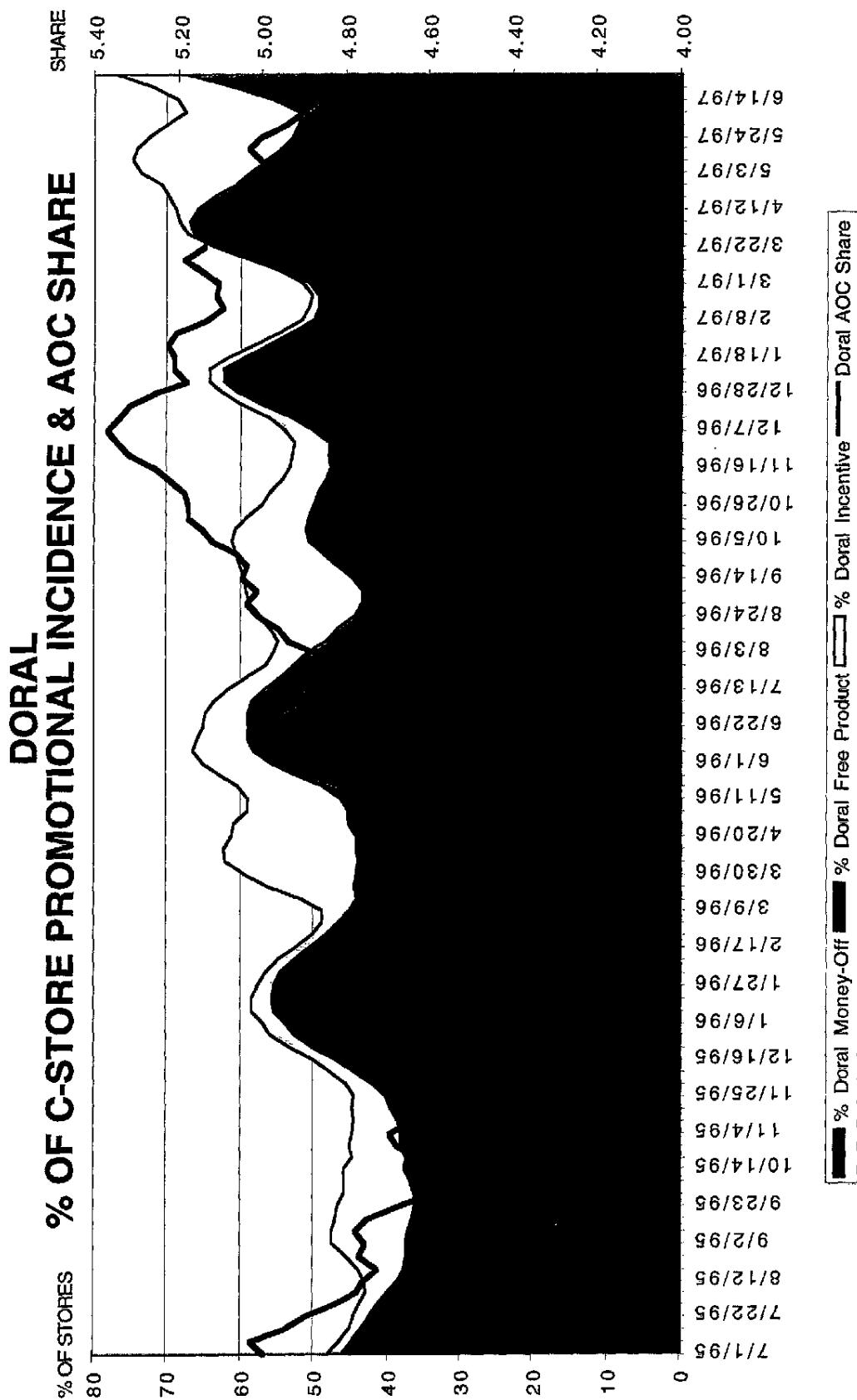


SOURCE: FULL LINE RESEARCH

© PHILIP MORRIS 1997

2071844505

PM USA - Basic Summer of Savings

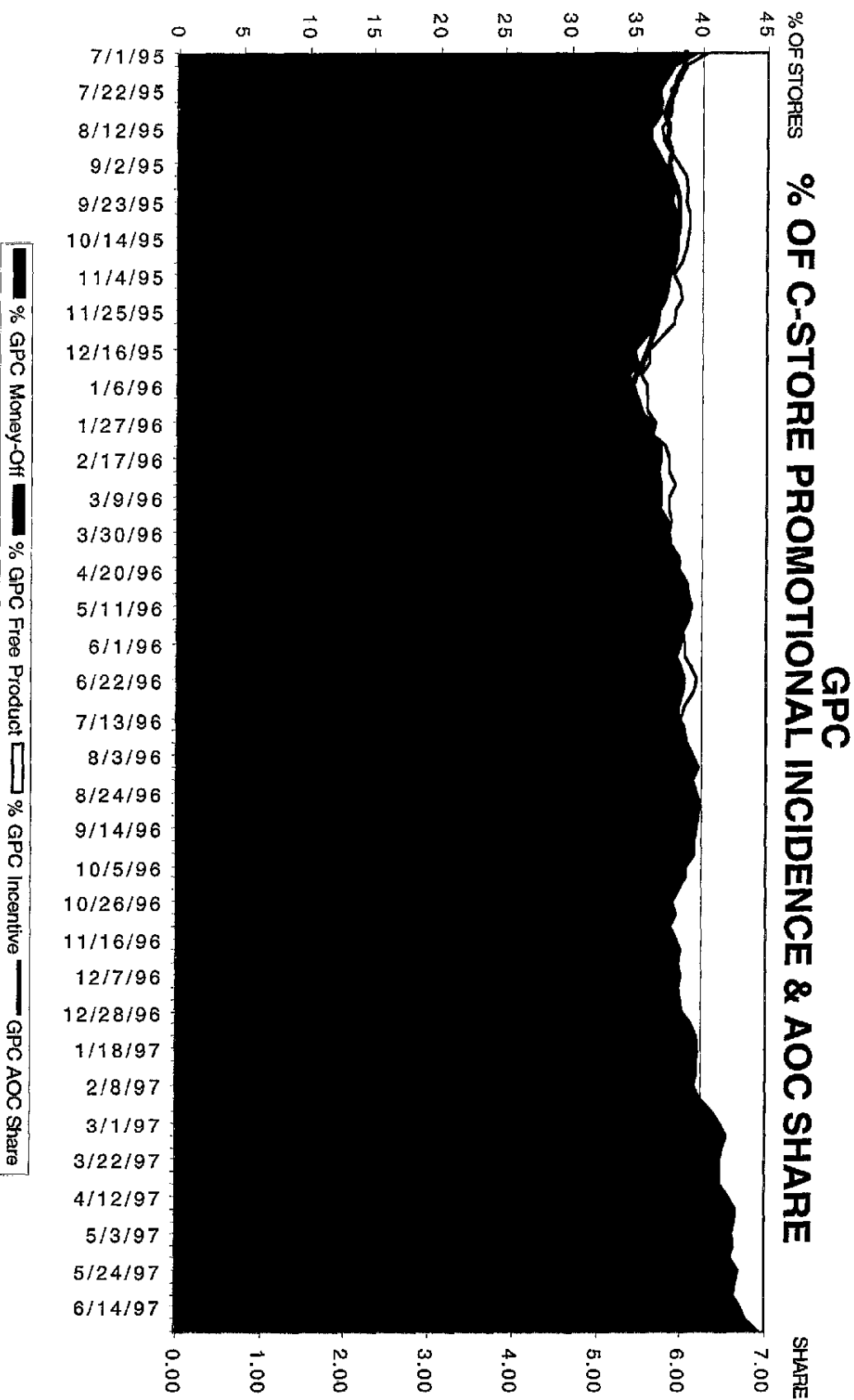


Source: Nielsen (4 Wk)

2071844506

© PHILIP MORRIS 1997

PM USA - Basic Summer of Savings

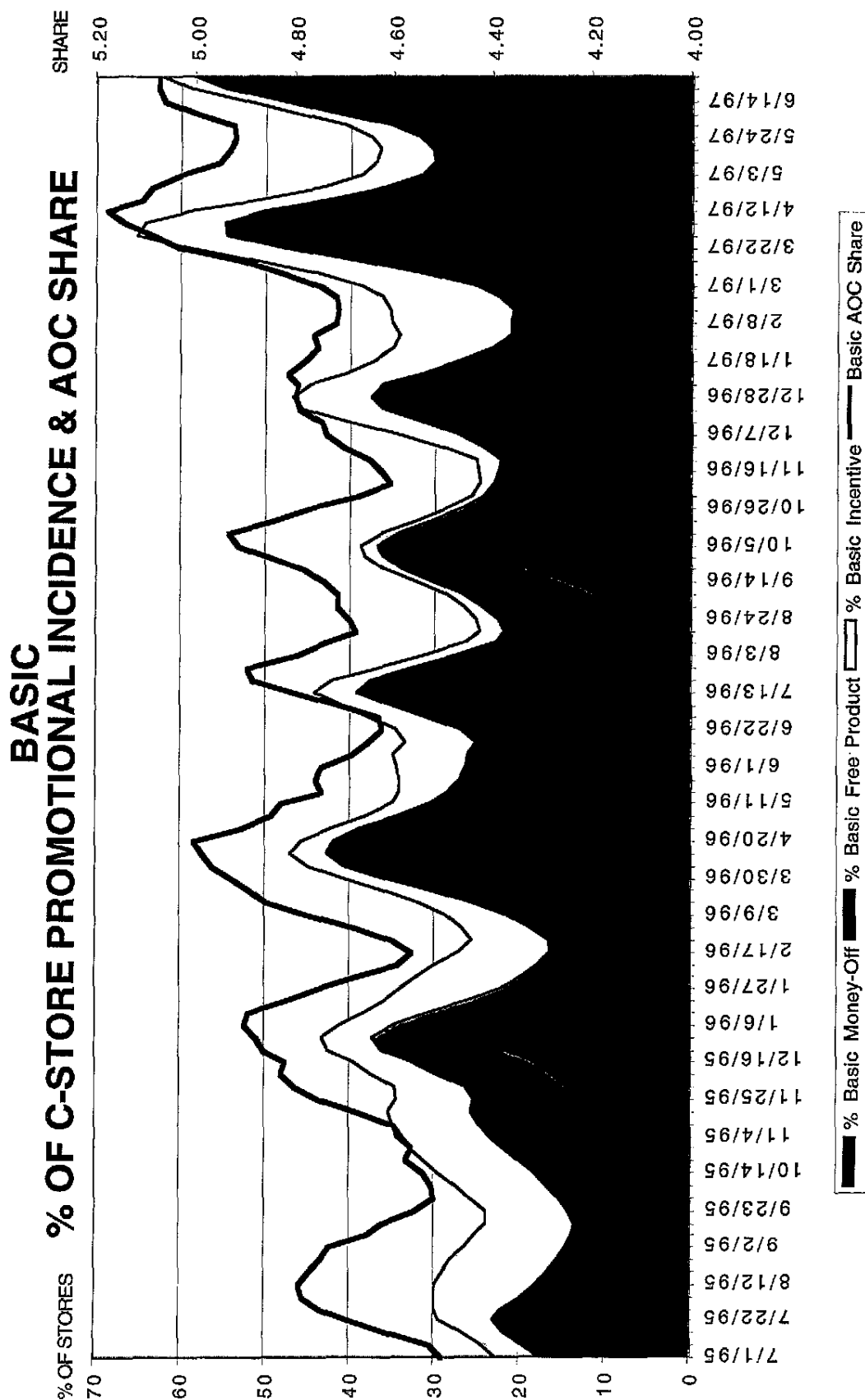


Source: Nielsen (4 Wk)

2071844507

© PHILIP MORRIS 1997

PM USA - Basic Summer of Savings



Source: Nielsen (4 Wk)

2071844508

© PHILIP MORRIS 1997